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 2023

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.

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 purpose only*

HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER 2023,

– turnover of the Group amounted to RMB42,661,494.19 (2022: approximately RMB36,002,830.52) which represented an increase of 18.49%;

– the loss attributable to owners of the Company was approximately RMB6,989,010.94 (2022: loss of approximately RMB21,606,146.55)

– the Directors do not recommend the payment of a final dividend (2022: Nil).

The board (the "Board") of directors (the "Directors") of 上海交大慧谷信息產業股份有限公司 (Shanghai Jiaoda Withub Information Industrial Company Limited*) (the "Company", together with its subsidiaries, collectively, the "Group") announces the audited results of the Group for the year ended 31 December 2023, together with the comparative figures for the year of 2022 as follows:

CONSOLIDATED BALANCE SHEET

As at 31 December 2023

Prepared by:Shanghai Jiaoda Withub Information Industrial Company Limited Unit: RMB (Yuan)

Item	*Note*	**31 December 2023**	31 December 2022
Current assets:			
Cash and bank balances		**17,869,475.62**	20,197,211.85
Settlement payment			
Lent funds			
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivables	*9*	**5,327,616.59**	5,047,920.71
Receivables financing			
Prepayments		**11,034.99**	28,952.65
Insurance premiums receivables			
Reinsurance receivables			
Provision of reinsurance receivables			
Other receivables		**968,477.76**	927,873.17
Including: Interest receivable			
Dividends receivable			
Buying back the sale of financial assets			
Inventories		**570,088.25**	671,862.63
Contract asset			
Holding for sale assets			
Non-current assets due within one year			
Other current assets		**80,000,000**	
Total current assets		**24,826,693.21**	26,873,821.01

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2023

Prepared by:Shanghai Jiaoda Withub Information Industrial Company Limited | Unit: RMB (Yuan)

Item	*Note*	**31 December 2023**	31 December 2022
Non-current assets:			
Loans and payments on behalf			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investment		**7,636,572.57**	11,911,238.82
Other long-term equity investment			
Other non-current financial assets		**4,377,803.44**	4,362,563.80
Investment properties			
Fixed assets		**48,415.82**	69,075.29
Construction in progress			
Biological assets for production			
Fuel assets			
Right-of-use assets		**2,165,913.85**	4,331,827.70
Intangible assets		**–**	–
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets		**343,900.56**	662,085.36
Other non-current assets			
Total non-current assets		**14,572,606.24**	21,336,790.97
Total assets		**39,399,299.45**	48,210,611.98

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2023

Prepared by:Shanghai Jiaoda Withub Information Industrial Company Limited Unit: RMB (Yuan)

Item	*Note*	**31 December 2023**	31 December 2022
Current liabilities:			
Short-term loans			
Borrowings from the Central Bank			
Deposits from customers and interbanks			
Transactional monetary liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payables	*10*	**10,954,005.19**	9,197,180.73
Unearned revenue			
Contract liability		**2,845,187.24**	1,905,211.99
Financial assets sold for repurchase			
deposits from customers and interbank			
Funds received as agent of stock exchange			
Funds received as stock underwrite			
Payroll payable		**1,609,327.46**	2,124,742.93
Taxes payable		**431,748.97**	173,183.93
Other payables		**2,167,622.78**	4,097,443.64
Including: Interest payable			
Dividends payable			
Handling charges and commissions payable			
Reinsurance payable			
Holding for sale liabilities			
Non-current liabilities due within one year		**2,292,670.37**	2,188,246.21
Other current liabilities		**5,943.40**	
Total current liabilities		**20,306,505.41**	19,686,009.43

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2023

Prepared by:Shanghai Jiaoda Withub Information Industrial Company Limited Unit: RMB (Yuan)

Item	*Note*	**31 December 2023**	31 December 2022
Non-current liabilities:			
Deposit for reinsurance			
Long-term loans			
Bonds payable			
Including: Premium			
Perpetual			
Lease liabilities		**–**	2,225,656.16
Long-term payable			
Long-term payroll payable			
Estimated Liabilities			
Deferred income			
Deferred income tax liabilities		**324,887.08**	649,774.16
Other non-current liabilities			
Total non-current liabilities		**324,887.08**	2,875,430.32
Total liabilities		**20,631,392.49**	22,561,439.75
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		**1,552,527.55**	1,444,781.88
Special reserve			
Surplus reserve		**222,962.29**	222,962.29
General risk reserve			
Undistributed profits		**–108,315,932.08**	–101,339,232.34
Total owners' equity attributable to the parent company		**18,767,906.96**	25,636,861.03
Minority interests			
Total shareholders' equity		**18,767,906.96**	25,636,861.03
Total liabilities and shareholders' equity		**39,399,299.45**	47,548,526.62

BALANCE SHEET OF THE PARENT COMPANY

As at 31 December 2023

Prepared by:Shanghai Jiaoda Withub Information Industrial Company Limited Unit: RMB (Yuan)

Item	*Note*	**31 December 2023**	31 December 2022
Current assets:			
Cash and bank balances		**17,576,695.74**	19,522,781.25
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivables		**5,327,616.59**	5,047,920.71
Receivables financing			
Prepayments		**11,034.99**	28,952.65
Other receivables		**968,477.76**	926,618.04
Including: Interest receivable			
Dividends receivable			
Inventories		**570,088.25**	671,862.63
Contract asset			
Holding for sale assets			
Non-current assets due within one year			
Other current assets		**80,000.00**	
Total current assets		**24,533,913.33**	26,198,135.28
Non-current assets:			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investment		**7,636,572.57**	11,911,238.82
Other long-term equity investment			
Other non-current financial assets		**4,377,803.44**	4,362,563.80
Investment properties			
Fixed assets		**48,415.82**	69,075.29
Construction in progress			
Biological assets for production			
Fuel assets			
Right-of-use assets		**2,165,913.85**	4,331,827.70
Intangible assets			
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets		**343,900.56**	662,085.36
Other non-current assets			
Total non-current assets		**14,572,606.24**	21,336,790.97
Total assets		**39,106,519.57**	47,534,926.25

BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

As at 31 December 2023

Prepared by:Shanghai Jiaoda Withub Information Industrial Company Limited Unit: RMB (Yuan)

Item	*Note*	**31 December 2023**	31 December 2022
Current liabilities:			
Short-term loans			
Transactional moneytary liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payables		**10,954,005.19**	9,092,824.41
Unearned revenue			
Contract liability		**2,845,187.24**	1,905,211.99
Payroll payable		**1,609,327.46**	2,015,698.35
Taxes payable		**431,748.97**	173,183.93
Other payables		**2,167,622.78**	3,892,317.39
Including: Interest payable			
Dividends payable			
Holding for sale liabilities			
Non-current liabilities due within one year		**2,292,670.37**	2,188,246.21
Other current liabilities		**5,943.40**	
Total current liabilities		**20,306,505.41**	19,267,482.28
Non-current liabilities:			
Long-term loans			
Bonds payable			
Including: Premium			
Perpetual			
Lease liabilities		**–**	2,225,656.16
Long-term payable			
Long-term payroll payable			
Estimated Liabilities			
Deferred income			
Deferred income tax liabilities		**324,887.08**	649,774.16
Other non-current liabilities			
Total non-current liabilities		**324,887.08**	2,875,430.32
Total liabilities		**20,631,392.49**	22,142,912.60

BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

As at 31 December 2023

Prepared by:Shanghai Jiaoda Withub Information Industrial Company Limited Unit: RMB (Yuan)

Item	*Note*	**31 December 2023**	31 December 2022
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		**–107,056,184.41**	–100,139,297.84
Total owners' equity attributable to the parent company		**18,475,127.08**	25,392,013.65
Total liabilities and shareholders' equity		**39,106,519.57**	47,534,926.25

CONSOLIDATED INCOME STATEMENT

2023

Prepared by:Shanghai Jiaoda Withub Information Industrial Company Limited Unit: RMB (Yuan)

Item	*Note*	**2023**	2022
I. Total operating income		**42,661,494.19**	36,002,830.52
Including: Operating income	*4*	**42,661,494.19**	36,002,830.52
Interest revenue			
Earned Premium			
Charges and commission income			
II. Total operating costs		**52,448,730.17**	53,547,140.54
Including: Operating cost	*7*	**30,274,971.89**	29,216,375.32
Interest expenses			
Bank charges and commission fee			
Surrender charge fee			
Net payments for insurance claims			
Net reserves from insurance contract			
Bond insurance expense			
Reinsurance costs			
Tax and surcharges	*7*	**149,094.88**	65,928.12
Selling expenses	*7*	**4,708,455.61**	4,072,712.54
Administrative expenses	*7*	**12,420,776.61**	14,728,678.06
Research and development expenses	*7*	**4,827,757.25**	5,312,197.56
Financial expenses	*4/7*	**67,673.93**	151,248.94
Including: Interest expenses		**198,553.79**	302,960.81
Interest revenue		**134,350.35**	150,041.94
Add: Other gain (losses are represented by -)	*4*	**125,393.89**	2,337.00
Investment income (losses are represented by -)	*4*	**1,528,587.11**	–42,287.64
Including: Income from investment in associates and joint ventures		**947,316.97**	–647,003.09
Income from derecognition of financial assets measured at amortized cost			
Exchange gain (losses are represented by “-”)			
Net hedging return (losses are represented by -)			
Profit and loss from fair value changes(losses are represented by -)	*4/7*	**15,239.64**	–4,127.90
Loss of credit impairment (losses are represented by “-”)	*7*	**735,056.20**	–864,736.42
Loss on assets impairment (losses are represented by “-”)	*7*	**–**	–3,509,375.52
Asset disposal gain (losses are represented by “-”)			

CONSOLIDATED INCOME STATEMENT (CONTINUED)

2023

Prepared by:Shanghai Jiaoda Withub Information Industrial Company Limited Unit: RMB (Yuan)

Item	*Note*	**2023**	2022
III. Operating profit (losses are represented by "-")		**–7,382,959.14**	–21,962,500.50
Add: Non-operating income	*4*	**392,017.14**	124,245.29
Less: Non-operating expense	*7*	**4,771.22**	
IV. Total profit (losses are represented by "-")		**–6,995,713.22**	–21,838,255.21
Less: Income tax expenses		**–6,702.28**	–232,108.66
V. Net Profit (losses are represented by "-")		**–6,989,010.94**	–21,606,146.55
1. Classified by continuing operation		**–6,989,010.94**	–21,606,146.55
Net profit from continues operation (losses are represented by "-")		**–6,989,010.94**	–21,606,146.55
Net profit from discontinued operation (losses are represented by "-")			
2. Classified by ownership		**–6,989,010.94**	–21,606,146.55
Net profit attribute to the equity holders of the parent company		**–6,989,010.94**	–21,606,146.55
Minority interests			
VI. Other comprehensive income, net of tax		**107,745.67**	114,221.58
other comprehensive income, net of tax attribute to the equity holders of the parent company		**107,745.67**	114,221.58
(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			

CONSOLIDATED INCOME STATEMENT (CONTINUED)

2023

Prepared by:Shanghai Jiaoda Withub Information Industrial Company Limited Unit: RMB (Yuan)

Item	*Note*	**2023**	2022
(2) Other comprehensive income that may be reclassified subsequently to profit or loss		**107,745.67**	114,221.58
1. Shares of other comprehensive income of investees that may be reclassified to profit or loss under the equity method subsequently			
2. Gains or losses from changes in fair value of other debt investments			
3. The amount of financial assets reclassified into other comprehensive income			
4. Gains or losses from credit impairment of other debt investments			
5. Effective portion of cash flow adjusted for hedging gains or losses			
6. Exchange differences from retranslation of financial statements		**107,745.67**	114,221.58
7. Others			
Other comprehensive income attributable to minority shareholders,net of tax			
VII. Total comprehensive income		**–6,881,265.27**	–21,491,924.97
Total comprehensive income attributable to the shareholders of the parent company		**–6,881,265.27**	–21,491,924.97
Total comprehensive income attributable to the minority shareholders			
VIII. Earnings per share:			
(1) Basic earnings per share		**–0.0146**	–0.0450
(2) Diluted earnings per share		**–0.0146**	–0.0450

INCOME STATEMENT OF THE PARENT COMPANY

2023

Prepared by:Shanghai Jiaoda Withub Information Industrial Company Limited Unit: RMB (Yuan)

Item	*Note*	2023	2022
I. Operating income		**42,661,494.19**	36,002,830.52
Less: Operating cost		**30,274,971.89**	29,216,375.32
Taxes and surcharges		**149,094.88**	65,928.12
Selling expenses		**4,708,455.61**	4,072,712.54
Administrative expenses		**12,420,776.61**	14,698,551.73
Research and development expenses		**4,827,757.25**	5,312,197.56
Financial expenses		**66,169.60**	155,547.89
Including: Interest expenses		**198,553.79**	302,960.81
Interest revenue		**134,350.35**	149,635.05
Add: Other gain		**125,393.89**	2,337.00
Investment income (losses are represented by-)		**1,111,315.09**	–42,287.64
Including: Income from investment in associates and joint ventures Exchange gain		**947,316.97**	–647,003.09
Income from derecognition of financial assets measured at amortized cost			
Net hedging return (losses are represented by –)			
Profit and loss from fair value changes(losses are represented by -)		**15,239.64**	–4,127.90
Loss of credit impairment(losses are represented by "-")		**1,222,948.26**	29,126.74
Loss on assets impairment(losses are represented by "-")		**–**	–3,509,375.52
Asset disposal gain(losses are represented by "-")			
II. Operating profit (losses are represented by "-")		**–7,310,834.77**	–21,042,809.96
Add: Non-operating income		**392,017.14**	124,245.29
Less: Non-operating expenses		**4,771.22**	
III. Total profit (losses are represented by "-")		**–6,923,588.85**	–20,918,564.67
Less: Income tax expenses		**-6,702.28**	–232,108.66
IV. Net Profit (losses are represented by "-")		**–6,916,886.57**	–20,686,456.01
1. Net profit from continues operation (losses are represented by "-")		**–6,916,886.57**	–20,686,456.01
2. Net profit from discontinued operation (losses are represented by "-")			

INCOME STATEMENT OF THE PARENT COMPANY (CONTINUED)

2023

Prepared by:Shanghai Jiaoda Withub Information Industrial Company Limited — Unit: RMB (Yuan)

Item	*Note*	**2023**	2022
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) Share of other comprehensive income (that will not be reclassified subsequently to profit or loss) of investees accounted for using equity method		**–**	–
1. Shares of other comprehensive income of investees that may be reclassified to profit or loss under the equity method subsequently			
2. Gains or losses from changes in fair value of other debt investments			
3. The amount of financial assets reclassified into other comprehensive income			
4. Gains or losses from credit impairment of other debt investments			
5. Effective portion of cash flow adjusted for hedging gains or losses			
6. Exchange differences from retranslation of financial statements			
7. Others			
VI. Total comprehensive income		**–6,916,886.57**	–20,686,456.01
VII. Earnings per share:			
(1) Basic earnings per share			
(2) Diluted earnings per share			

CONSOLIDATED CASH FLOW STATEMENT

2023

Prepared by:Shanghai Jiaoda Withub Information Industrial Company Limited Unit: RMB (Yuan)

Item	*Note*	**2023**	2022
I. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		**51,952,843.30**	38,079,908.15
Net increase in customer deposit and inter-bank deposit			
Net increase in borrowings from central bank			
Net increase in loans from other financial institutions			
Cash received from insurance contract premium			
Net cash receive form reinsurance business			
Net increase in insurance deposit and investment funds			
Cash received of interest, charges and commission.			
Net increase in deposits from other banks			
Net increase in funds for repurchasing business			
Net income from buying and selling securities as broker			
Refund of taxes and surcharges			
Cash received relating to other operating activities		**454,516.76**	152,378.94
Sub-total of cash inflows from operating activities		**52,407,360.06**	38,232,287.09
Cash paid for goods and services		**31,921,555.92**	23,309,532.33
Net increase in customer loans and advances			
Net increase in savings in central bank and inter-bank			
Cash paid for insurance contract			
Net increasing from financial assets held for trading purpose			
Cash for lendings to banks and other financial institutions			
Cash paid for interest, charges and commission			
Cash paid for dividend of the insurance			
Cash paid to and on behalf of employees		**21,718,292.02**	22,388,463.96
Payments of tax charges		**868,400.89**	118,136.55
Cash paid relating to other operating activities		**2,925,066.99**	2,929,079.35
Sub-total of cash outflows from operating activities		**57,433,315.82**	48,745,212.19
Net cash flows from operating activities		**–5,025,955.76**	–10,512,925.10

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

2023

Prepared by:Shanghai Jiaoda Withub Information Industrial Company Limited Unit: RMB (Yuan)

Item	*Note*	**2023**	2022
II. Cash flows from investing activities			
Cash received from disposal of investments		**5,354,740.24**	853,512.63
Cash received from returns on investments		**31,241.10**	248,649.32
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other operating entities			
Cash received relating to other investing activities		**5,000,000.00**	10,000,000.00
Sub-total of cash inflows from investing activities		**10,385,981.34**	11,102,161.95
Cash paid to acquire fixed assets, intangible assets and other long-term assets			28,409.59
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		**5,000,000.00**	
Sub-total of cash outflows from investing activities		**5,000,000.00**	28,409.59
Net cash flows from investing activities		**5,385,981.34**	11,073,752.36
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 shareholders			
Cash paid to other financing activities		**2,506,140.00**	67,298.21
Sub-total of cash outflows from financing activities		**2,506,140.00**	67,298.21
Net cash flows from financing activities		**–2,506,140.00**	–67,298.21
IV. Effect of foreign exchange rate changes on cash and cash equivalents		**7,168.19**	114,221.58
V. Net increase in cash and cash equivalents		**–2,138,946.23**	607,750.63
Add: Cash and cash equivalents at beginning of period		**19,776,137.27**	19,168,386.64
VI. Cash and cash equivalent at end of period		**17,637,191.04**	19,776,137.27

CASH FLOW STATEMENT OF THE PARENT COMPANY

2023

Prepared by:Shanghai Jiaoda Withub Information Industrial Company Limited Unit: RMB (Yuan)

Item	*Note*	**2023**	2022
1. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		**51,952,843.30**	38,079,908.15
Refund of taxes and surcharges			
Cash received relating to other operating activities		**454,516.76**	151,972.05
Sub-total of cash inflows from operating activities		**52,407,360.06**	38,231,880.20
Cash paid for goods and services		**31,921,555.92**	23,314,197.40
Cash paid to and on behalf of employees		**21,718,292.02**	22,388,463.96
Payments of tax charges		**868,400.89**	118,136.55
Cash paid relating to other operating activities		**2,536,248.08**	2,034,443.18
Sub-total of cash outflows from operating activities		**57,044,496.91**	47,855,241.09
Net cash flows from operating activities		**–4,637,136.85**	–9,623,360.89
II. Cash flows from investing activities			
Cash received from disposal of investments		**5,354,740.24**	853,512.63
Cash received from returns on investments		**31,241.10**	248,649.32
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other operating entities			
Cash received relating to other investing activities		**5,000,000.00**	10,000,000.00
Sub-total of cash inflows from investing activities		**10,385,981.34**	11,102,161.95
Cash paid to acquire fixed assets, intangible assets and other long-term assets			28,409.59
Cash paid to acquire investments			
Net cash paid to acquire subsidiaries and other operating entities			
Cash paid relating to other investing activities		**5,000,000.00**	
Sub-total of cash outflows from investing activities		**5,000,000.00**	28,409.59
Net cash flows from investing activities		**5,385,981.34**	11,073,752.36

CASH FLOW STATEMENT OF THE PARENT COMPANY(CONTINUED)

2023

Prepared by:Shanghai Jiaoda Withub Information Industrial Company Limited Unit: RMB (Yuan)

Item	*Note*	**2023**	2022
III. Cash flows from financing activities			
Cash received from capital contributions			
Cash received from borrowings			
Cash received from issuing of bonds			
Cash received from other financing activities			
Sub-total of cash inflows from financing activities		**–**	–
Cash repayments of borrowings			
Cash payments for distribution of dividends or profits and interest expenses			
Cash paid to other financing activities		**2,506,140.00**	67,298.21
Sub-total of cash outflows from financing activities		**2,506,140.00**	67,298.21
Net cash flows from financing activities		**–2,506,140.00**	–67,298.21
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents		**–1,757,295.51**	1,383,093.26
Add: Cash and cash equivalents at beginning of period		**19,101,706.67**	17,718,613.41
VI. Cash and cash equivalent at end of period		**17,344,411.16**	19,101,706.67

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2023

Prepared by:Shanghai Jiaoda Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	2023														
	Equity attributable to the parent company													Minority interests	Total shareholders' equity
	Share Capital	Other equity instrument			Capital Reserve	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus reserve	Reserve for general risks	Undistributed profits	Others	Total		
		Preferred shares	Perpetual bond	Others											
I. Ending balance of previous year	48,000,000.00				77,308,349.20		1,444,781.88		222,962.29		−101,326,921.14		25,649,172.23		25,649,172.23
Add: changes in accounting policies															
Correction of prior period errors															
Business combinations under the same administration															
Others															
II. Beginning balance of current year	48,000,000.00				77,308,349.20		1,444,781.88		222,962.29		−101,326,921.14		25,649,172.23		25,649,172.23
III. Change through current year ("−" for losses)							107,745.67				−6,989,010.94		−6,881,265.27		−6,881,265.27
(1) Total comprehensive income							107,745.67				−6,989,010.94		−6,881,265.27		−6,881,265.27
(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 transfering retained earnings															
5. Other comprehensive transfering retained earnings															
6. Others															
(5) Special reserve															
1. Current year appropriation															
2. Current year usage															
6) Others															
IV. Ending balance of current year	48,000,000.00				77,308,349.20		1,552,527.55		222,962.29		−108,315,932.08		18,767,906.96		18,767,906.96

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

2023

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	2022														
	Equity attributable to the parent company													Minority interests	Total shareholders' equity
	Share Capital	Other equity instrument			Capital Reserve	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus reserve	Reserve for general risks	Undistributed profits	Others	Total		
		Preferred shares	Perpetual bond	Others											
I. Ending balance of previous year	48,000,000.00				77,308,349.20		1,330,560.30		222,962.29		–79,500,977.13		47,360,894.66	–30,126.33	47,330,768.33
Add: changes in accounting policies											–219,797.46		–219,797.46		–219,797.46
Correction of prior period errors															
Business combinations under the same administration															
Others															
II. Beginning balance of current year	48,000,000.00				77,308,349.20		1,330,560.30		222,962.29		–79,720,774.59		47,141,097.20	–30,126.33	47,110,970.87
III. Change through current year ("−" for losses)							114,221.58				–21,606,146.55		–21,491,924.97	30,126.33	–21,461,798.64
(1) Total comprehensive income							114,221.58				–21,606,146.55		–21,491,924.97	–	–21,491,924.97
(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 transfering retained earnings															
5. Other comprehensive transfering retained earnings															
6. Others															
(5) Special reserve															
1. Current year appropriation															
2. Current year usage															
6) Others														30,126.33	30,126.33
IV. Ending balance of current year	48,000,000.00				77,308,349.20		1,444,781.88		222,962.29		–101,326,921.14		25,649,172.23		25,649,172.23

STATEMENT OF CHANGES OF EQUITY OF THE PARENT COMPANY

2023

Prepared by:Shanghai Jiaoda Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	2023											
	Share Capital	Other equity instrument			Capital Reserve	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus reserve	Undistributed profits	Other	Total shareholders' equity
		Preferred shares	Perpetual bond	Others								
I. Ending balance of previous year	48,000,000.00				77,308,349.20				222,962.29	–100,139,297.84		25,392,013.65
Add: changes in accounting policies												
Correction of prior period errors												
Others												
II. Beginning balance of current year	48,000,000.00				77,308,349.20				222,962.29	–100,139,297.84		25,392,013.65
III. Change through current year ("−" for losses)										–6,916,886.57		–6,916,886.57
(1) Total comprehensive income										–6,916,886.57		–6,916,886.57
(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 transfering retained earnings												
5. Other comprehensive transfering retained earnings												
6. Others												
(5) Special reserve												
1. Current year appropriation												
2. Current year usage												
6) Others												
IV. Ending balance of current year	48,000,000.00				77,308,349.20				222,962.29	–107,056,184.41		18,475,127.08

STATEMENT OF CHANGES OF EQUITY OF THE PARENT COMPANY (CONTINUED)

2023

Prepared by:Shanghai Jiaoda Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	2022											
	Share Capital	Other equity instrument			Capital Reserve	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus reserve	Undistributed profits	Other	Total shareholders' equity
		Preferred shares	Perpetual bond	Others								
I. Ending balance of previous year	4,800,000.00				77,308,349.20				222,962.29	–79,233,044.37		46,298,267.12
Add: changes in accounting policies										–219,797.46		–219,797.46
Correction of prior period errors												
Others												
II. Beginning balance of current year	4,800,000.00				77,308,349.20				222,962.29	–79,452,841.83		46,078,469.66
III. Change through current year ("–" for losses)										–20,686,456.01		–20,686,456.01
(1) Total comprehensive income										–20,686,456.01		–20,686,456.01
(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 transfering retained earnings												
5. Other comprehensive transfering retained earnings												
6. Others												
(5) Special reserve												
1. Current year appropriation												
2. Current year usage												
6) Others												
IV. Ending balance of current year	48,000,000.00				77,308,349.20				222,962.29	–100,139,297.84		25,392,013.65

NOTES:

I. GENERAL INFORMATION ABOUT THE COMPANY

Shanghai Jiaoda Withub Information Industrial Company Limited (hereinafter referred to as the Company) was established on May 4th, 1998, with its office and place of registration at Building A,Shanghai Jiao Tong University Huigu Information Park, No. 951 Panyu Road, Shanghai.

On July 31st, 2002, the Company was listed on the Growth Enterprise Market (GEM) of The Stock Exchange of Hong Kong Limited and issued 132 million foreign shares with a par value of RMB0.1 each, amounting to RMB13.2 million; at the same time, some of the shareholders of the Company offered to place 12 million shares, amounting to RMB1.2 million. After the issue, the registered capital of the Company increased to RMB48 million and the number of shares increased to 480 million.

As at December 31st, 2023, the total number of shares of the Company was 480 million shares, of which 348 million shares, or 72.50% of the total share capital, were unlisted, and 132 million shares, or 27.50% of the total share capital, were public shares of listed H-shares.

The Company belongs to the Software and Information Technology Services industry, and its business mainly consists of business application solutions and application software development business, installation and maintenance of network and data security products business, and sales of electrical products and accessories, etc.

The financial statements were approved for reporting on March 21st, 2024 by the Board of Directors of the Company. In accordance with the Company's Articles of Association, the financial statements will be submitted to the General Meeting of Shareholders for review.

II. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

1. Basis for the preparation

The Company's financial statements have been prepared on the basis of transactions and events that actually occurred, in accordance with the *Accounting Standards for Business Enterprises*, its Application Guidelines, Interpretations and other relevant regulations issued by the Ministry of Finance (hereinafter collectively referred to as the "Accounting Standards for Business Enterprises"), the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 - the General Provisions of Financial Reports issued by the China Securities and Regulatory Commission (2023 Revision) and the relevant regulations, as well as the disclosure requirements of the *Hong Kong Companies Ordinance* and the *Rules Governing the Listing of Securities on the Growth Enterprise Market* of the Stock Exchange of Hong Kong.

2. Going concern

The Company has evaluated its ability to continue as a going concern for the 12 months from December 31st, 2023 and has not identified any events or circumstances that may cast significant doubt over its ability to continue as a going concern. The financial statements are prepared on a going concern basis.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Specific accounting policies and accounting estimates formulated by the Company in accordance with the actual production and operating characteristics include: recognition and measurement of bad debt provision for receivables, measurement of inventories dispatched, classification of fixed assets and method of depreciation, amortization of intangible assets, and recognition and measurement of revenue.

1. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements comply with the requirements of the Accounting Standards for Business Enterprises and give a true, accurate and complete presentation of the financial position of the Company as at December 31st, 2023 and of the results of its operations and cash flows for the year 2023 and other related information.

2. Accounting period

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

3. Operating cycle

The Company operates businesses with short operating cycles and uses 12 months as the liquidity classification standard for assets and liabilities.

4. Functional currency

The Company and its domestic subsidiaries use RMB as the standard currency for accounting. Overseas subsidiaries of the Company determine their own accounting currency based on the principal economic environments in which they operate, and the Company translates them into RMB in the preparation of its financial statements in accordance with the method described in III.9.

5. Methodology for determining materiality criteria and basis for selection

The Company follows the principle of materiality in the preparation and disclosure of its financial statements. The disclosures in the notes to the financial statements that involve materiality judgments and the methodology for determining and selecting the materiality criteria are as follows:

Related materiality criteria Disclosures involving judgments	Methodology for determining materiality criteria and basis for selection
Significant accounts receivable for which bad debt provision is made on an individual basis	The single provision amount accounts for 10% of the total bad debt provision for various accounts receivable and the amount is greater than 1 million yuan assets for each reporting period
Important joint ventures and joint ventures	For individual joint ventures and joint ventures, the book value accounts for more than 5% of the combined net assets
Important other non current financial assets	The book value of other non current financial assets of a single invested entity accounts for more than 5% of the consolidated net assets
Important non wholly-owned subsidiaries	The net assets of subsidiaries account for more than 5% of the consolidated net assets, or the net profit of subsidiaries accounts for more than 10% of the consolidated net profit

6. Accounting for business combinations under common control and not under common control

(1) Business combinations involving entities under common control

Business combinations in which the enterprises participating in the combination are under the ultimate control of the same party or parties, both before and after the combination, and such control is not temporary, are business combinations under common control.

Assets and liabilities acquired by the Company as a consolidator in a business combination under common control are measured at the book value of the consolidated party in the consolidated statements of the ultimate controlling party at the date of consolidation. The difference between the book value of the net assets acquired and the book value of the consideration paid for the merger is adjusted to capital reserves; if capital reserves are not sufficient to offset the difference, retained earnings are adjusted. If a business combination under common control is achieved in stages through multiple transactions, the relevant assets and liabilities of the consolidated party are consolidated into the comparative statements of the Company's consolidated financial statements no earlier than the point at which the Company and the consolidated party are both under the control of the ultimate controlling party and the net assets increased as a result of the consolidation is adjusted to the relevant items under owner's equity in the comparative statements.

(2) Business combinations involving entities not under common control

Business combinations are not under common control if the parties involved in the combination are not under the ultimate control of the same party or parties before and after the combination.

Identifiable assets, liabilities and contingent liabilities of the acquiree acquired by the Company as the purchaser in a business combination not under common control are measured at fair value at the acquisition date. If the cost of combination is greater than the share of the fair value of the identifiable net assets of the acquiree acquired in the combination, the difference is recognized as goodwill; if the cost of combination is less than the share of the fair value of the identifiable net assets of the acquiree acquired in the combination, the fair value of each identifiable asset, liability and contingent liability acquired in the combination, and the costs are first reviewed, and if, after the review, the cost of combination is still less than the share of the fair value of the identifiable net assets of the acquiree acquired in the combination, the difference is recognized as non-operating income in the period of the combination.

If the business combination not under common control is realized step by step through multiple transactions, the equity interest in the acquiree held prior to the date of purchase is remeasured at the fair value of the equity interest in the acquiree at the date of purchase, and the difference between the fair value and its book value is recognized as investment income for the period; other comprehensive income under the equity method of accounting and changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution in respect of equity interests in the acquiree held prior to the date of purchase shall be transferred to investment gains and losses in the period in which the purchase date falls, except for other comprehensive income arising from the remeasurement of changes in net liabilities or net assets of the defined benefit plan by the investee.

7. **Control determination criteria and preparation of consolidated financial statements**

The scope of consolidation of the Company's consolidated financial statements is determined on the basis of control and includes the Company and all subsidiaries controlled by the Company (including enterprises, divisible segments of investees, and structured entities controlled by enterprises, etc.). The Company determines control by the criteria that the Company has rights over the investee, enjoys variable returns through participation in the investee's relevant activities, and has the ability to use its rights over the investee to affect the amount of its returns.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and its subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company.

The effects on the consolidated financial statements of internal transactions between the Company and its subsidiaries and between subsidiaries are offset by consolidation. The shares of ownership interests of subsidiaries that are not attributable to the parent company and the shares of net profit or loss, other comprehensive income and total comprehensive income for the period that is attributable to minority interests are presented in the consolidated financial statements under "Minority interests, minority gains and losses, other comprehensive income attributable to minority shareholders and total comprehensive income attributable to minority shareholders", respectively.

For subsidiaries acquired through business combinations under common control, their operating results and cash flows are included in the consolidated financial statements from the beginning of the period of consolidation. When preparing the comparative consolidated financial statements, the relevant items in the prior year's financial statements are adjusted as if the reporting entity formed by the combination had existed since the point at which control by the ultimate controlling party began.

For a subsidiary acquired through a business combination not under common control, the results of operations and cash flows are included in the consolidated financial statements from the date the Company obtains control. In preparing the consolidated financial statements, the financial statements of subsidiaries are adjusted on the basis of the fair value of each identifiable asset, liability and contingent liability determined at the date of purchase.

Where the Company partially disposes of its long-term equity investment in a subsidiary without loss of control, for the difference between the disposal price and the share of the subsidiary's net assets calculated on a continuing basis from the purchase date or the combination date corresponding to the disposal of the long-term equity investment, the capital reserves (share premium) shall be adjusted in the consolidated financial statements, or the retained earnings shall be adjusted if the capital reserves are insufficient to be written down.

If the Company loses control over an investee due to, for example, the disposal of a portion of an equity investment, the remaining equity interest shall be remeasured at its fair value at the date of the loss of control in the preparation of the consolidated financial statements. The difference between the sum of the consideration obtained from the disposal of equity interest and the fair value of the remaining equity interest and the share of the original subsidiary's net assets continuously calculated from the date of purchase or the date of consolidation based on the original shareholding ratio, is included in investment gains and losses in the period in which control is lost, and goodwill is also written down. Other comprehensive income, etc. related to original equity investments in the subsidiary is transferred to current investment gains and losses when control is lost.

When the disposal of the Company's equity investment in a subsidiary in stages through multiple transactions until it loses control is a package deal, each transaction shall be accounted for as a single transaction of disposing of the subsidiary and losing control of the subsidiary; provided, however, that the difference between the price of each disposal prior to the loss of control and the share of the subsidiary's net assets corresponding to the investment disposed of is recognized in the consolidated financial statements as other comprehensive income and transferred to investment gains and losses for the period of the loss of control when control is lost. If an equity investment in a subsidiary is disposed of in stages through multiple transactions until it loses control, and is not a package deal, each transaction is accounted for separately according to whether it results in a loss of control.

8. Cash and cash equivalents

Cash in the Company's statement of cash flows represents cash on hand and deposits that are readily available for payment. Cash equivalent in the cash flow statement refers to the investment with a term not more than 3 months and high liquidity, and is easily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

9. Foreign currency operations and translation of foreign currency financial statements

(1) Foreign currency transactions

The foreign currency transactions of the Company are initially recognized by using the spot exchange rate on the date of the transaction to translate the foreign currency amount into a functional currency amount. At the balance sheet date, monetary items denominated in foreign currencies are translated into the functional currency using the spot exchange rate at the balance sheet date, and the resulting translation differences are charged directly to profit or loss for the current period, except for exchange differences arising from specialized borrowings denominated in foreign currencies for the purpose of acquiring, constructing or producing assets eligible for capitalization, which are capitalized; non-monetary item in foreign currency measured at historical cost continues to be translated using the spot exchange rate at the date of the transaction and does not change the functional currency in which it is recorded; non-monetary item measured at fair value in a foreign currency is translated using the spot exchange rate at the date the fair value is determined, and the difference between the translated amount in the functional currency and the original amount in the local currency is treated as a change in fair value (including exchange rate changes) and recognized in profit or loss for the current period; capital contributions received from investors in foreign currencies are translated using the spot exchange rate on the date of the transaction, and no foreign currency capital translation differences arise between the capital contributions in foreign currencies and the carrying amounts of the corresponding monetary items in the local currency.

(2) Translation of foreign currency financial statements

The Company translates the financial statements of its foreign operations into RMB in the preparation of its consolidated financial statements, of which: the balance sheet items of assets and liabilities in foreign currencies are translated using the spot exchange rate at the balance sheet date; the items of owners' equity, except for "undistributed earnings", are translated at the spot exchange rate at the time of the transaction; the income and expense items in the income statement are translated using the current average exchange rate at the date of the transaction. The foreign currency statement translation differences arising from the above translation are presented in other comprehensive income. Cash flows in foreign currencies are translated using the average exchange rate for the period of the cash flow transaction. The amount of the effect of exchange rate changes on cash is presented separately in the cash flow statement.

10. Financial instruments

(1) Derecognition of financial liabilities

A financial asset or a financial liability is recognized when the Company becomes a party to a financial instrument contract.

A financial asset (or part of a financial asset, or part of a group of similar financial assets) is derecognised, namely, charged off from their accounts and balance sheet when the following conditions are met: ① the right to receive cash flows from the financial asset expires; ② the right to receive cash flows from the financial asset is transferred or, assumed the obligation to pay the received cash flows in full and on time to a third party under a pass-through agreement; and either the transfer of substantially all of the risks and rewards of ownership of the financial asset or the relinquishment of control over the financial asset, although substantially the transfer of substantially all of the risks and rewards of ownership of the financial asset is not made.

A financial liability is derecognized if the obligation under the financial liability is fulfilled, cancelled or expired. If an existing financial liability is replaced by another from the same creditor on substantially different terms, or if the terms of an existing liability are substantially modified in almost its entirety, such substitution or modification is treated as a derecognition of the original liability and the recognition of a new liability, with the difference charged to current profit or loss.

The purchase and sale of financial assets on a regular basis is recognized and derecognized on the basis of transaction date accounting.

(2) Classification and measurement of financial assets

Based on the business model for managing financial assets and the contractual cash flow characteristics of financial assets, the Company shall classify financial assets at initial recognition as financial assets measured at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss. All related financial assets that are affected may be reclassified only when the Company changes its business model for managing the financial assets.

In judging the business model, the Company shall consider the information including how it evaluates and reports the performance of financial assets to its key management personnel, the risks affecting the performance of financial assets and the relevant management method, and how managers of the relevant business are compensated, etc. The Company, when assessing whether the objective is to collect the contractual cash flows, is required to analyze the reasons for, the timing, frequency and value of sales of financial assets before maturity.

To determine the contractual cash flow characteristics, the Company shall make judgments on whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, including evaluating whether there is a significant difference in comparison with benchmarking cash flows when the revision of the time value of money is assessed, and evaluating whether the fair value of the prepayment feature is insignificant provided that the financial assets have the prepayment feature.

Financial assets shall be measured at fair value on initial recognition, except for accounts receivable or notes receivable arising from the sales of goods or rendering of services and without significant financing components or without considering the financing component that does not exceed one year, which are initially measured at the transaction price.

For financial assets at fair value through profit or loss, the related transaction costs are recognized directly in the current profit or loss; for other categories of financial assets, the related transaction costs are recognized in their initial recognition amounts.

The subsequent measurement of financial assets depends on their classification:

1) *Financial assets measured at amortized cost*

Financial assets are classified as measured at amortized cost if both of the following conditions are met: ① the objective of the business model for managing the financial assets is to collect contractual cash flows; ② the contractual terms of the financial assets provide that the cash flows arising on specified dates are solely payments of principal and interest on the principal amount outstanding. The Company's financial assets in this category mainly consist of cash and cash equivalents, accounts receivable and other receivables.

2) *Investments in debt instruments at fair value through other comprehensive income*

Financial assets are classified as at fair value through other comprehensive income if both of the following conditions are met: ① the objective of the business model for managing the financial assets is both to collect contractual cash flows and sell the financial assets. ② the contractual terms of the financial assets provide that the cash flows arising on specified dates are solely payments of principal and interest on the principal amount outstanding. Interest income for such financial assets is recognized based on the effective interest method. Changes in fair value are recognized in other comprehensive income, other than interest income, impairment losses and exchange differences which are recognized in the current profit or loss. When the financial assets are derecognized, the cumulative gains or losses previously recognized in other comprehensive income shall be transferred from other comprehensive income to the current profit or loss. The Company's financial assets in this category are mainly receivables financing.

3) *Investments in equity instruments at fair value through other comprehensive income*

The Company irrevocably elects to designate certain investments in non-trading equity instruments as financial assets at fair value through other comprehensive income, and the designation is irrevocable once made. The Company recognizes only the related dividend income (except for dividend income that is explicitly recognized as a partial recovery of investment costs) in the current profit or loss, and subsequent changes in fair value are recognized in other comprehensive income. No provision for impairment is accrued. When the financial assets are derecognized, the cumulative gains or losses previously recognized in other comprehensive income shall be transferred from other comprehensive income to retained earnings. The Company's financial assets in this category are investments in other equity instruments.

4) *Financial assets at fair value through profit or loss*

Except for those classified as financial assets measured at amortized cost and those classified or designated as at fair value through other comprehensive income described above, the Company classifies other financial assets as at fair value through profit or loss. Such financial assets are subsequently measured at fair value, and all changes in fair value are recognized in the current profit or loss, except when they relate to hedge accounting. The Company's financial assets in this category mainly include financial assets held for trading and other non-current financial assets.

If the contingent consideration recognized by the Company in a business combination not under common control constitutes a financial asset, the financial asset shall be classified as at fair value through profit or loss.

(3) Classification, recognition and measurement of financial liabilities

The Company's financial liabilities are classified on initial recognition as follows: financial liabilities at fair value through profit or loss and financial liabilities measured at amortized cost, except for financial guarantee contracts issued, loan commitments at below-market interest rates, and financial liabilities arising from transfers of financial assets that do not qualify for derecognition or from the continuing involvement in the transferred financial assets. For financial liabilities at fair value through profit or loss, the related transaction costs are recognized directly in the current profit or loss; and for financial liabilities measured at amortized costs, the related transaction costs are recognized in their initial recognition amounts.

The subsequent measurement of financial liabilities depends on their classification:

1) Financial liabilities measured at amortized cost

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

2) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss (including derivatives that are financial liabilities) comprise financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss at initial recognition. Financial liabilities held for trading (including derivatives that are financial liabilities) are subsequently measured at fair value, and all changes in fair value are recognized in the current profit or loss, except when they relate to hedge accounting. Financial liabilities designated as at fair value through profit or loss are subsequently measured at fair value, and changes in fair value are recognized in the current profit or loss, except for changes in fair value attributable to changes in the Company's own credit risks, which are recognized in other comprehensive income. If changes in fair value attributable to changes in the Company's own credit risks are recognized in other comprehensive income and it would create or enlarge accounting mismatches in profit or loss, the Company shall recognize all changes in fair value (including the amount of the effect of changes in the Company's own credit risks) in the current profit or loss.

(4) Basis for recognition and measurement methods of transfers of financial assets

For transactions involving the transfer of financial assets, the Company shall derecognize a financial asset if substantially all the risks and rewards of ownership of the financial asset have been transferred to the transferee, and shall not derecognize the financial asset if substantially all the risks and rewards of ownership of the financial asset have been retained. If the Company has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset but has surrendered control over the financial asset, it shall derecognize the financial asset and recognize the resulting assets and liabilities. If it does not surrender control over the financial asset, it shall recognize the related financial asset to the extent of its continuing involvement in the transferred financial asset and recognize an associated liability correspondingly.

If the transfer of a financial asset as a whole satisfies the conditions for derecognition, the difference between the book value of the transferred financial asset at the date of the derecognition and the sum of the consideration received for the transfer and the cumulative amount of changes in fair value previously recognized in other comprehensive income directly, corresponding to the derecognized portion (the financial asset involved in the transfer meets both of the following conditions: ① the objective of the Company's business model for managing the financial asset is both to collect contractual cash flows and sell the financial asset; ② the contractual terms of the financial assets provide that the cash flows arising on specified dates are solely payments of principal and interest on the principal amount outstanding), is recognized in the current profit or loss.

If the partial transfer of a financial asset satisfies the conditions for derecognition, the whole book value of the transferred financial asset is apportioned between the derecognized portion and the non-derecognized portion according to their respective relative fair values. The difference between the sum of the consideration received for the transfer and the cumulative amount of changes in fair value previously recognized in other comprehensive income corresponding to the derecognized portion that shall be apportioned to the derecognized portion (the financial asset involved in the transfer meets both of the following conditions: ① the objective of the Group's business model for managing the financial asset is both to collect contractual cash flows and sell the financial asset; ② the contractual terms of the financial assets provide that the cash flows arising on specified dates are solely payments of principal and interest on the principal amount outstanding), and the above-apportioned book value of the financial asset as a whole is recognized in the current profit or loss.

Where the continuing involvement is in the form of a financial guarantee for the transferred financial asset, the asset resulting from the continuing involvement is recognized at the lower of the book value of the financial asset and the amount of the financial guarantee. The financial guarantee amount is the maximum amount of the consideration received that the Company could be required to repay.

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

The Company distinguishes financial liabilities from equity instruments in accordance with the following principles: ① if the Company cannot unconditionally avoid the performance of a contractual obligation by delivering cash or other financial assets, that contractual obligation meets the definition of financial liabilities. Some financial instruments, although they do not explicitly contain terms and conditions for an obligation to deliver cash or other financial assets, may indirectly create a contractual obligation through other terms and conditions. ② if a financial instrument must or may be settled with the Company's own equity instruments, it is necessary to consider whether the Company's own equity instruments used to settle the instrument are intended as a substitute for cash or other financial assets or are intended to give the holder of the instrument a residual interest in the assets of the issuer after deducting all liabilities. In the former case, the instrument is a financial liability of the issuer; in the latter case, the instrument is an equity instrument of the issuer. In certain circumstances, a financial instrument contract stipulates that the Company must or may settle the financial instrument with its own equity instruments, where the amount of the contractual right or contractual obligation is equal to the number of its own equity instruments available for acquisition or delivery multiplied by their fair values at the time of settlement, regardless of whether the amount of the contractual right or obligation is fixed or based in whole or in part on variables other than the market price of the Company's own equity instruments (such as interest rates, the price of a commodity or the price of a financial instrument), the contract is classified as a financial liability.

When classifying financial instruments (or their components) in the consolidated financial statements, the Company considers all terms and conditions agreed between the members of the Group and the holders of the financial instruments. An instrument shall be classified as a financial liability if the Group as an entirety has an obligation to deliver cash and other financial assets due to the instrument or settle in a manner that otherwise causes the instrument to become a financial liability.

If a financial instrument or its component is a financial liability, the related interest, dividends (or bonuses), gains or losses, and gains or losses arising from redemption or refinancing are recognized by the Company in the current profit or loss.

When a financial instrument or its component is an equity instrument and it is issued (including refinancing), repurchased, sold or canceled, the Company treats it as changes in equity and does not recognize changes in the fair value of the equity instrument.

(6) Offsetting of financial assets and financial liabilities

The Company's financial assets and financial liabilities are presented separately on the balance sheet and are not offset against each other. However, when both of the following conditions are met, the net amount after offsetting is listed on the balance sheet: ① the Company has a legal right to offset the recognized amount, and such legal right is currently enforceable; ② the Company intends to settle on a net basis, or to realize the financial assets and liquidate the financial liabilities at the same time.

(7) Impairment of financial instruments

The Company shall account for impairment and recognize the loss allowances based on expected credit losses.

Expected credit loss is the weighted average of credit losses on a financial instrument with the risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows receivable under the contract and all the cash flows that the Company expects to receive, i.e., the present value of all cash shortfalls, discounted at the original effective interest rate, The Company shall reflect the following elements when considering how to measure expected credit losses: ① an unbiased and probability-weighted average amount that is determined by evaluating a range of possible outcomes; ② the time value of money; and ③ reasonable and supportable information that is available without undue cost or effort at the balance sheet date about past events, current conditions and forecasts of future economic conditions.

The Company evaluates expected credit losses on financial instruments on an individual and portfolio basis. For portfolio-based assessments, the Company shall categorize financial instruments into different groups based on common credit risk characteristics. The common credit risk characteristics adopted by the Company include the types of financial instruments, credit risk ratings, the industries in which the debtors operate, past due information, and aging of receivables.

When assessing the impairment of financial instruments and contract assets based on the expected credit loss model, the Company shall make significant judgments and estimates and take into account all reasonable and supportable information, including forward-looking information. These judgments and estimates require the Company to infer the expected changes in debtors' credit risks based on historical repayment data and in conjunction with economic policies, macroeconomic indicators, industry risks and other factors. Different estimates may affect the accrual of impairment provisions, and the impairment provisions that have been accrued may not equal the actual amount of future impairment losses.

1) *Impairment testing methods for receivables and contract assets*

For accounts receivable, notes receivable, receivables financing, contract assets, other receivables, etc. that do not contain a significant financing component and are generated from ordinary operating activities, such as sales of goods and rendering of services, the Company applies a simplified measurement methodology to measure the provision for losses at an amount equal to the expected credit losses over the entire life of the asset.

For lease receivables, receivables and contract assets with significant financing components, the Company applies a simplified measurement methodology to measure the provision for losses at an amount equal to the expected credit losses over the entire life of the asset.

For receivables, expected credit losses are generally calculated on the basis of a portfolio of common credit risk characteristics by taking into account the elements that should be reflected in the expected credit loss measurement methodology and by reference to historical credit loss experience and preparing a reconciliation of the number of days past due on accounts receivable/aging of accounts receivable to the default loss rate, except for amounts that are individually significant and for which credit impairment has occurred, in which case the credit losses shall be determined separately. If the credit risk characteristics of a customer are significantly different from those of other customers in the portfolio, or if there is a significant change in the credit risk characteristics of the customer, for example, if the customer is in severe financial difficulty and the expected credit loss rate on receivables from this customer has significantly exceeded the expected credit loss rate for the aging and overdue ranges in which the customer is located, etc., the Company makes a provision for losses on an individual basis on the receivables from this customer.

a. Portfolio categories of accounts receivable (and contract assets) and basis of determination

The Company groups account receivable (and contract assets) by similarity and relevance of credit risk characteristics based on information such as aging, nature of payment, credit risk exposure, and history of repayment. For accounts receivable (and contract assets), the Company generally grants a six-month credit period. If it is more than six months past due, it indicates that the credit risk has increased significantly and, therefore, the Company evaluates expected credit losses on the basis of whether or not the portfolio is delinquent.

Item	Basis for determining portfolio (aging/overdue portfolio)	Methodology for measuring expected credit losses
Accounts receivable	Within 6 months (usually the credit period granted to the customer/not overdue)	0.00%
	6 months - 12 months (1 day to 6 months overdue)	0.00%
	More than 1 year (More than six months overdue)	100.00%

b. Portfolio categories of other receivables and basis of determination

The Company measures impairment losses by amounts equivalent to expected credit losses over the next 12 months, or the entire life of the other receivables, based on whether the credit risk of other receivables has increased significantly since initial recognition. Other receivables are classified into different portfolios based on their credit risk characteristics and assessed for expected credit losses, except those that are individually assessed for credit risk.

Item	Basis for determining portfolio	Methodology for measuring expected credit losses
Dividends receivable	Dividends receivable	No provision for expected credit losses
Interest receivable	Interest receivable from financial institutions	No provision for expected credit losses
Guarantees, deposits and petty cash receivable	Nature of payment	No provision for expected credit losses
Other receivables	Amounts in the ordinary course of business	Refer to the method for provision for expected credit losses on accounts receivable

11. Inventories

The Company's inventories consist primarily of goods in stock, etc.

Inventories are maintained on a perpetual inventory basis and are valued at actual cost at the time of acquisition. The weighted-average method is used to determine the actual cost of inventories when they are claimed or issued. Low-value consumables are amortized using the one-time reversal method.

At the balance sheet date, inventories are measured at the lower of cost or net realizable value. If the cost of inventories is higher than their net realizable value, a provision for a decline in the value of inventories is made and recognized in profit or loss for the current period. Net realizable value is the estimated selling price of inventories in ordinary activities less the estimated costs to be incurred until completion, estimated selling expenses, and related taxes.

The Company's policy on provision for decline in value of inventories is formulated based on the shelf life of products and risk of slow-moving sales out of prudent considerations, by taking into account the shelf life of products and the actual experience of the business operation. Based on the principle of prudence, a full provision for decline in value is made for the reporting period for the products that have been in the inventory for more than two years.

12. Contract assets and contract liabilities

(1) Contract assets

A contractual asset is a right to receive consideration for goods that the Company has transferred to a customer, which is dependent on factors other than the passage of time. If the Company sells two distinguishable commodities to a customer and is entitled to receive payment because one of the commodities has been delivered, but the receipt of such payment is also dependent on the delivery of the other commodity, the Company treats the right to receive payment as a contractual asset.

For the details of the method of determining expected credit losses on contract assets, please refer to the relevant content in "III.10. Financial instruments (7) Impairment of financial instruments" above.

(2) Contract liabilities

Contract liabilities reflect the Company's obligation to transfer goods to customers for consideration received or receivable from customers. If the customer has paid the contract consideration or the Company has acquired the unconditional right to receive the contract consideration before transferring the goods to the customer by the Company, a contract liability is recognized for the amount received or receivable at the earlier point of the actual payment or the amount due and payable by the customer.

13. Assets related to contract costs

(1) Method of 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. Depending on liquidity, contract performance costs are presented separately in inventories and other non-current assets, and contract acquisition costs are presented separately in other current assets and other non-current assets.

Contract performance costs, i.e., costs incurred by the Company to perform a contract, are recognized as an asset as contract performance costs if they do not fall within the scope of the relevant accounting standards for inventories, fixed assets, or intangible assets and the following conditions are also met: the costs are directly related to a current contract or expected contract to be obtained, including direct labor, direct materials, manufacturing costs (or similar costs), costs explicitly borne by the customer and other costs incurred solely as a result of the contract; the costs increase the Company's future resources available to meet its performance obligations; and the costs are expected to be recovered.

Contract acquisition costs, i.e., incremental costs incurred by the Company to acquire a contract that is expected to be recovered, are recognized as an asset. If the amortization period of the asset does not exceed one year, the Company chooses the simplified treatment of recognizing the asset in profit or loss when incurred. Incremental costs are costs that would not have been incurred without obtaining the contract (e.g., sales commissions, etc.). Expenses incurred by the Company to obtain a contract other than incremental costs expected to be recovered (such as travel expenses that would have been incurred regardless of whether the contract was obtained) are charged to current profit or loss as incurred, except for those explicitly borne by the customer.

(2) Amortization of assets related to contract costs

The Company's assets related to contract costs are amortized to current profit or loss using the same basis as that used to recognize revenue from the goods to which the assets relate.

(3) Impairment of assets related to contract costs

For the Company's assets related to contract costs, if the book value exceeds the difference between the following two items, the Company makes a provision for the excess and recognizes it as an asset impairment loss: ① the remaining consideration that the enterprise expects to receive for the transfer of goods related to the asset; and ② the estimated costs to be incurred for the transfer of the related goods.

14. Long-term equity investments

The Company's long-term equity investments mainly consist of investments in subsidiaries, investments in associates and equity investments in joint ventures.

(1) Judgment of significant influence and joint control

The Company's equity investments in investees in which it has significant influence are investments in associates. Significant influence means that the Company has the power to participate in the decision-making of the investee's financial and operating policies, but does not control, or jointly control with other parties, the formulation of those policies. The Company is generally considered to have significant influence over an investee when it owns, directly or indirectly through its subsidiaries, more than 20% but less than 50% of the investee's voting rights, unless there is clear evidence that the Company is unable to participate in the decision-making of the investee's production and operation or to develop control over the investee.

An equity investment in an investee in which the Company, together with other joint venturers, exercises joint control over the investee and has rights to the net assets of the investee, is an investment in a joint venture. Joint control is the contractually agreed sharing of control of an arrangement whose relevant activities can only be decided after the unanimous consent of the parties sharing control. The Company bases its judgement of joint control on the fact that all participants or a combination of participants collectively control the arrangement and that the decisions of the activities related to the arrangement must be unanimously agreed by those participants who collectively control the arrangement.

(2) Accounting treatment

The Company initially measures long-term equity investments acquired at initial investment cost.

For long-term equity investments acquired through a business combination under common control, as of the date of consolidation, the share of the book value of the net assets of the combined party in the consolidated statements of the ultimate controlling party is used as the initial investment cost of the long-term equity investment; if the book value of the net assets of the party being consolidated as of the date of consolidation is a negative amount, the initial cost of the investment is determined as zero.

For long-term equity investments acquired through a business combination not under common control, the cost of the combination is used as the initial investment cost; if the business combination not under common control is realized in steps through multiple transactions and is not a package deal, the sum of the book value of the equity investment originally held plus the cost of the additional investment is used as the initial investment cost.

Except for long-term equity investments resulting from a business combination, long-term equity investments acquired by paying cash using the actual purchase price paid, the expenses directly related to the acquisition of the long-term equity investment, taxes and other necessary expenditures as initial investment cost; long-term equity investments acquired through the issuance of equity securities use the fair value of the equity securities issued as investment cost; long-term equity investments acquired through debt restructuring by way of settlement of debts with assets use the fair value of the renounced claims and other costs directly attributable to the investment, such as taxes, as initial investment cost; long-term equity investments acquired by means of non-monetary asset exchanges use the fair value/book value of the exchanged assets and related taxes as initial investment cost.

The Company's investments in subsidiaries are accounted for in the individual financial statements using the cost method. When the cost method is used, long-term equity investments are valued at the initial investment cost. When an additional investment is made, the book value of the cost of long-term equity investments is increased by the fair value of the cost amount paid for the additional investment and the related transaction costs incurred. Cash dividends or profits declared by the investee are recognized as investment income at the amount to which the Company is entitled.

The Company's investments in joint ventures and associates are accounted for using the equity method. When the equity method is adopted, if the initial investment cost of a long-term equity investment is greater than the share of the fair value of the identifiable net assets of the investee at the time of investment, no adjustment is made to the book value of the long-term equity investment; if the initial investment cost of a long-term equity investment is less than the share of the fair value of the identifiable net assets of the investee at the time of investment, the book value of the long-term equity investment shall be adjusted by the difference, and at the same time, the difference is recognized in profit or loss in the period in which the investment is acquired.

For long-term equity investments accounted for under the equity method of accounting for subsequent measurement, the book value of the long-term equity investment is increased or decreased by adjusting accordingly to changes in the owners' equity of the investee during the period in which the investment is held. In recognizing the share of net profit or loss of an investee, the net profit of the investee shall be adjusted and recognized based on the fair value of the identifiable assets of the investee at the time of acquisition, in accordance with the Company's accounting policies and accounting periods, and by eliminating the portion attributable to the Company in proportion to the Company's share of unrealized gains or losses on internal transactions with associates and joint ventures that do not constitute business (if the loss on internal transactions is an impairment loss on an asset, the full amount will be recognized). The Company recognizes a net loss incurred by an investee to the extent that the book value of the long-term equity investment and other long-term equity interests that in substance constitute a net investment in the investee are written down to zero, except that the Company has an obligation to assume additional losses.

The difference between the book value and the actual acquisition price of long-term equity investments disposed of is recognized as investment income in the current period.

For long-term equity investments accounted for using the equity method, the related other comprehensive income previously accounted for by the equity method is accounted for on the same basis as that of direct disposal of the related assets or liabilities by the investee upon the termination of the equity method of accounting, and the owner's equity recognized as a result of changes in the owners' equity of the investee other than net profit or loss, other comprehensive income and profit distribution is transferred in full to current investment income upon the termination of the equity method of accounting.

If the remaining equity interest after the disposal of part of the equity interest is still accounted for by the equity method, the related other comprehensive income originally accounted for by the equity method is treated on the same basis as the direct disposal of the related assets or liabilities by the investee and carried forward proportionally, and the ownership interest recognized as a result of changes in the investee's ownership interest other than net profit or loss, other comprehensive income, and profit distribution is carried forward proportionally to the investment income for the current period.

If the common control or significant influence over the investee is lost due to the disposal of part of the equity interest, and the remaining equity interest after disposal is accounted for by applying the *Accounting Standard for Business Enterprises (ASBE) No. 22 - Recognition and Measurement of Financial Instruments* (Caikuai [2017] No. 7), the difference between the fair value and the book value of the remaining equity interest at the date of the loss of the common control or significant influence is recognized in current profit or loss.

If control over the investee is lost as a result of the disposal of part of the long-term equity investment, and the remaining equity interest after disposal is capable of exercising joint control or significant influence over the investee, it is accounted for under the equity method instead, and the difference between the book value of the equity interest disposed of and the consideration for disposal is recognized as investment income, and the remaining equity interest is adjusted as if it had been accounted for under the equity method from the time of acquisition; if the remaining equity interest after disposal is unable to exercise joint control or exert significant influence over the investee, the accounting treatment shall be in accordance with *ASBE No. 22 - Recognition and Measurement of Financial Instruments* (Caikuai [2017] No. 7), and the difference between the book value of the equity interest disposed of and the consideration for disposal is recognized as investment income, and the difference between the fair value and the book value of the remaining equity interest at the date of loss of control is recognized in current profit or loss.

If transactions of the step-by-step disposal of equity to loss of controlling interest are not a package deal, the Company accounts for each transaction separately. If they are a package deal, each transaction is accounted for as a transaction in which a subsidiary was disposed of and control was lost, but the difference between the disposal price and the book value of the long-term equity investment corresponding to the equity interest disposed of in each transaction before the loss of control is recognized as other comprehensive income and is transferred to profit or loss in the period when control is lost.

15. Fixed assets

The Company's fixed assets are tangible assets with a useful life of more than one year that are held for use in the production of goods, provision of services, rental or management of operations.

The fixed assets shall be recognized only when the related economic benefits are likely to flow into the Company and the costs can be measured reliably. The Company's fixed assets include transportation equipment, office and electronic equipment.

The Company depreciates all fixed assets, except those fully depreciated and continue to be used. The provision for depreciation is made using the straight-line method. The categorized depreciable lives, estimated net residual value rates, and depreciation rates of the Company's fixed assets are as follows:

Type	**Estimated residual value rate** (%)	**Depreciable life** (years)	**Annual depreciation rate** (%)
Transportation equipment	3	5	19.40
Office and electronic equipment	3, 5	5, 3	19.40, 31.67

The Company reviews the estimated useful lives, estimated net residual values and depreciation methods of fixed assets at the end of each year, and treats any changes as changes in accounting estimates.

16. Intangible assets

The Company's intangible assets, which include acquired transaction names and development costs, are measured at actual cost at the time of acquisition. For intangible assets acquired, the actual cost is determined by the actual price paid and related other expenses; for intangible assets invested by investors, the actual cost is determined by the value agreed in the investment contract or agreement, but if the agreed value in the contract or agreement is not fair, the actual cost is determined by the fair value.

(1) Useful life and the bases for determination, estimation, amortization methods or the review procedures

Acquired transaction names are amortized equally over 20 years from the date of acquisition; other intangible assets are amortized in equal installments over the shortest of the estimated useful life, the beneficial life specified in the contract, and the effective life specified by law. The amortization amount is charged to the cost of the related assets and current profit or loss according to the beneficiaries. The estimated useful life and amortization method of intangible assets with finite useful lives are reviewed at the end of each year, and any changes are treated as changes in accounting estimates.

(2) The scope of research and development expenditures and related accounting treatment

The Company's research and development expenditures included remuneration of research and development employees, direct input costs, depreciation and amortization expenses, and other expenses.

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

Expenditure on the research phase is charged to profit or loss as incurred; expenditure on the development phase is capitalized when the following conditions are met: ① The Company assesses that it is technically feasible to complete the intangible asset so that it can be used or sold; ② The Company has the intention to complete the intangible asset and to use or sell it; ③ The intangible asset is expected to bring economic benefits to the Company; ④ The Company has sufficient technical, financial and other resources to support the completion of the development of the intangible asset, and has the ability to use or sell the intangible asset; ⑤。Expenditure on the development phase of the intangible asset can be measured reliably. For expenditure on the development phase that does not meet the conditions for capitalization, it is charged to the current profit or loss as incurred.

17. Impairment of long-term assets

The Company examines long-term equity investments, other non-current financial assets, fixed assets, right-of-use assets and intangible assets with finite useful lives at each balance sheet date, and performs impairment tests when indicators of impairment exist. Goodwill and intangible assets with uncertain useful lives and development expenditures that have not yet reached the intended state of use are tested for impairment at the end of each year, regardless of whether or not there are indications of impairment.

(1) Impairment of non-current assets other than financial assets (other than goodwill)

When performing an impairment test, the Company determines the recoverable amount of an asset based on the higher of the asset's fair value less costs of disposal and the present value of the asset's estimated future cash flows. After the impairment test, if the book value of the asset exceeds its recoverable amount, the difference is recognized as an impairment loss.

The Company estimates the recoverable amount of an asset on an individual basis. If it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group is determined based on the asset group to which the individual asset belongs. Asset groups are identified based on whether the major cash inflows arising from the asset group are independent of those from other assets or groups of assets.

The net fair value less costs of disposal is determined by reference to the agreed sale price or observable market price of a similar asset in an arm's length transaction, less incremental costs directly attributable to the disposal of the asset. When estimating the present value of future cash flows, management must estimate the expected future cash flows from the asset or group of assets and select an appropriate discount rate to determine the present value of the future cash flows.

Once the impairment losses on the above assets are recognized, they are not reversed in subsequent accounting periods.

18. Employee benefits

The Company's employee benefits include short-term remuneration, post-employment benefits and termination benefits.

Short-term remuneration mainly includes employees' salaries, bonuses, allowances and subsidies, medical insurance, work-related injury insurance, maternity insurance, housing provident fund, employees welfare fees, trade union funds and employees' education funds, etc. The actual short-term remuneration incurred is recognized as a liability in the accounting period in which the employees render services and is charged to current profit or loss or the cost of related assets according to the beneficiaries.

Post-employment benefits mainly include basic endowment insurance premiums and unemployment insurance premiums, and are classified as defined contribution plans according to the risks and obligations assumed by the Company. Contributions that are paid to a separate entity under a defined contribution plan to obtain services provided by the employees during the accounting period on the balance sheet date, shall be recognized as liabilities, and included in the current profit or loss or related asset cost according to the beneficiaries.

Termination benefits arise from a decision to terminate the employment relationship with an employee prior to the expiration of the employee's employment contract or from an offer of compensation to encourage the employee to accept redundancy voluntarily. If the Company has formulated a formal plan for the termination of labor relations or proposed voluntary redundancy, and is about to implement it, and the Company cannot unilaterally withdraw the plan for the termination of labor relations or redundancy proposal, confirmation of the employee compensation liabilities arising from the termination of labor relations shall be recognized in the current profit or loss. Compensations payable for over a year shall be discounted at a discount rate and recognized in the current profit or loss.

19. Provisions

When the businesses related to contingencies including external guarantee, the discount of commercial acceptance, pending litigation or arbitration and product quality assurance conform to the following conditions simultaneously, the Company recognizes them as liabilities: the obligation is a present obligation of the Company; it is probable that an outflow of economic benefits from the Company will result from the settlement of the obligation; and the amount for such obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. The Company reviews the current best estimate and adjusts the book value of the provision at the balance sheet date.

Contingent liabilities of the acquiree acquired in a business combination not under common control are measured at fair value on initial recognition and subsequently measured at the higher of the amount to be recognized for the provision and the amount initially recognized less f accumulated amortization determined in accordance with the revenue recognition principle.

20. Revenue recognition principles and measurement methods

(1) Revenue recognition principles

The Company recognizes revenue when it has fulfilled its performance obligations under contracts, that is, when customers obtain control of the relevant goods or services.

At the contract start date, the Company evaluates the contract, identifies each individual performance obligation included in the contract and determines whether each individual performance obligation is to be performed within a certain period of time or at a certain point in time.

A performance obligation is fulfilled within a certain period of time if one of the following conditions is met; a performance obligation is fulfilled at a certain point in time if none of the following conditions are met: ① The customer obtains and consumes the economic benefits arising from the Company's performance at the time of the Company's performance; ② The customer is able to control the commodities under construction in the course of the Company's performance; ③ The goods produced in the course of the Company's performance are of irreplaceable use and the Company is entitled to receive payment for the cumulative portion of performance completed to date throughout the term of the contract.

For performance obligations to be performed within a certain period of time, revenue is recognized by the Company in accordance with the progress of performance over that period. When the progress of performance cannot be reasonably determined, revenue is recognized based on the amount of costs already incurred until the progress of performance can be reasonably determined, if the costs already incurred are expected to be reimbursed.

For performance obligations performed at a point in time, revenue is recognized at the point in time when the customer obtains control of the related goods or services. In determining whether the customer has acquired control of the commodity, the Company considers the following indications: ① The Company has a present right to receive payment for the commodity; ② The Company has transferred legal title to the commodity to the customer; ③ The Company has physically transferred the commodity to the customer; ④ The Company has transferred to the customer the principal risks and rewards of ownership of the commodity; and ⑤ The customer has accepted the commodity or service, etc.

If a contract contains two or more performance obligations, the Company apportions the transaction price to each individual performance obligation at the beginning of the contract in proportion to the individual selling price of the goods or services promised by each individual performance obligation and measures income based on the transaction price apportioned to each individual performance obligation.

The transaction price is the amount of consideration to which the Company is expected to be entitled as a result of the transfer of goods or services to the customer, excluding amounts collected on behalf of third parties. The transaction price recognized by the Company does not exceed the amount for which it is highly probable that there will be no material reversal of revenue recognized in the aggregate when the relevant uncertainty is resolved. Amounts expected to be refunded to customers as liability are not included in the transaction price. For contracts with a significant financing component, the Company determines the transaction price based on the amount payable that is assumed to be paid in cash by the customer at the time the customer obtains control of the goods, and uses a discount rate that discounts the notional amount of the contract consideration to the current selling price of the goods, and amortizes the difference between the determined transaction price and the promised consideration amount in the contract using the effective interest rate method during the contract period.

For sales with sales return clauses, the Company recognizes revenue at the amount of consideration that it expects to be entitled to receive as a result of the transfer of goods to the customer when the customer obtains control of the related goods, and recognizes a provision at the amount that it expects to be refunded as a result of the return of the goods. At the same time, the Company recognizes an asset, i.e., the cost of returned goods receivable, at the book value at the time of transfer of the goods expected to be returned, less the costs (including the value reduction of the returned goods) expected to be incurred in recovering the goods, and carries forward the cost at the book value at the time of transfer of the goods transferred, less the cost of the asset mentioned above. At each balance sheet date, the Company re-estimates future sales returns and re-measures the above assets and liabilities.

According to the contract agreement, legal regulations, etc., the Company provides quality assurance for goods sold, which constitutes a warranty-type quality assurance to assure customers that the goods sold meet the established standards, and are accounted for by the Company in accordance with "Note III. 19. Provisions".

The Company's rights to receive consideration for goods or services that have been transferred to customers are presented as contract assets, and impairment of the contract assets is provided based on expected credit losses. The Company's unconditional rights to receive consideration from customers are presented as receivables. The Company's obligations to transfer goods or services to customers for consideration received or receivable are presented as contract liabilities.

(2) Specific methods of revenue recognition

For the sales of electrical products and accessories business, as the customer has gained control of the relevant goods after they have signed for or inspected the goods. Therefore, the Company considers the above operations to be the fulfillment of performance obligations at a certain point in time, and should recognize the related revenue when the goods have been delivered to the customers and signed for by the customers.

For business application solutions, application software, and the installation and maintenance of network and data security products, the customer acquires and consumes the economic benefits of the Company's performance at the same time as the Company's performance, and the customer can control the goods under construction in the course of the Company's performance. Therefore, the Company considers that the above two operations are the fulfillment of performance obligations within a certain period of time, and should recognize the corresponding revenue based on the progress of the performance of the relevant projects throughout the performance period.

21. Government grants

Government grants are recognized when the conditions attached to them can be met and they are receivable. Government grants are measured at the amount actually received if they are monetary assets. For subsidies allocated according to a fixed flat rate, or when there is conclusive evidence at year-end that the relevant conditions specified in the financial support policy can be met and the financial support funds are expected to be received, the subsidies are measured at the amount receivable; Government grants are measured at fair value if they are non-monetary assets, or at a nominal amount (RMB1) if the fair value cannot be reliably obtained.

The Company's government grants include asset-related government grants and income-related government grants. Among them, asset-related government grants refer to government grants obtained by the Company for the acquisition and construction or other formation of long-term assets; income-related government grants refer to government grants other than asset-related government grants. If the subsidized subjects of the grants are not specified in government documents, the Company will make judgments in accordance with the above distinguishing principles, and if it is difficult to distinguish the grants, they will be classified as income-related government grants as a whole.

The Company recognizes asset-related government grants as deferred income. Asset-related government grants that are recognized as deferred income are allocated evenly over the useful lives of the related assets and recognized in profit or loss for the current period. If the related assets are sold, transferred, scrapped or destroyed before the end of their useful lives, the unallocated balance of the related deferred income is transferred to profit or loss for the period in which the assets are disposed of.

Income-related government grants used to compensate for the related costs and expenses or losses in subsequent periods are recognized as deferred income and charged to profit or loss for the period in which the related costs and expenses or losses are recognized. Government grants related to ordinary activities are charged to other income according to the substance of the economic operations. Government grants unrelated to ordinary activities are charged to non-operating income and expenses.

22. Deferred tax assets and deferred tax liabilities

The Company's deferred tax assets and deferred tax liabilities are recognized based on the difference between the tax bases of assets and liabilities and their book values, as well as the difference (temporary difference) between the tax bases of items that are not recognized as assets and liabilities but whose tax bases can be determined in accordance with the provisions of the tax law and their book values.

The Company recognizes deferred tax liabilities for all taxable temporary differences except for the following: ① Temporary differences arising from the initial recognition of goodwill or the initial recognition of assets or liabilities arising from transactions other than business combinations that affect neither the accounting profit nor taxable income (or deductible losses); ② Taxable temporary differences related to investments in subsidiaries, associates and joint ventures where the Company can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The Company recognizes deferred tax assets for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that future taxable income will be available to offset such deductible temporary differences, deductible losses and tax credits, except in the following circumstances: ① Temporary differences arising from the initial recognition of assets or liabilities arising from transactions other than business combinations that affect neither accounting profit nor taxable income (or deductible losses); ② Deductible temporary differences related to investments in subsidiaries, associates and joint ventures cannot simultaneously meet the following conditions: it is probable that the temporary differences will reverse in the foreseeable future, and it is probable that taxable income will be available to offset deductible temporary differences.

The Company recognizes deferred tax assets for all unutilized deductible losses to the extent that it is probable that sufficient taxable income will be available to offset the deductible losses. The management uses a substantial amount of judgment to estimate the timing and amount of future taxable income, in conjunction with tax planning strategies, to determine the amount of deferred tax assets to be recognized, hence there is uncertainty.

Deferred tax assets and deferred tax liabilities are measured at the balance sheet date at the tax rates that apply in the period in which the asset is expected to be recovered or the liability settled.

Deferred tax assets and deferred tax liabilities are presented in net amount after offsetting when the following conditions are simultaneously met: the Company has the legal right to settle current tax assets and current deferred tax liabilities on a net basis; deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on the same taxable entity or different taxable entities, but in each future period in which deferred tax assets and deferred tax liabilities of significance are reversed, the taxable entities involved intend to either settle the current tax assets and current tax liabilities on a net basis or to acquire the assets and settle the liabilities simultaneously.

23. Lease

(1) Identification of lease

At the contract start date, the Company assesses whether the contract is a lease or contains a lease. A contract is a lease or contains a lease if one party to the contract cedes the right to control the use of one or more identified assets for a specified period in exchange for consideration.

If a contract contains several separate leases at the same time, the Company splits the contract and accounts for each separate lease separately. If a contract contains both lease and non-lease components, the Company, as the lessor, splits the lease and non-lease components and accounts for each separately, with each lease component being accounted for separately in accordance with the lease standards, and the non-lease component being accounted for in accordance with other applicable accounting standards for businesses. If the Company is the lessee, it chooses not to split the lease and non-lease components, and consolidates each lease component and the non-lease component associated with it into a separate lease, which is accounted for in accordance with the lease standard; however, if the contract includes an embedded derivative that is subject to splitting, the Company does not consolidate it with the lease component for accounting purposes.

(2) The Company as the lessee

1) Lease recognition

Except for short-term leases and low-value asset leases, the Company recognizes right-of-use assets and lease liabilities for leases on the commencement date of the lease term.

A right-of-use asset, which represents the right of the Company as lessee to use a leased asset over the lease term, is initially measured at cost. The costs include: ① the amount of the initial measurement of the lease liability; ② the amount of lease payments made on or before the commencement date of the lease term, net of the amount related to the lease incentive already enjoyed; ③ the initial direct costs incurred; and ④ the costs expected to be incurred for dismantling and removing the leased asset, restoring the site where the leased asset is located, or restoring the leased asset to the condition agreed upon in the terms of the lease (except for those incurred for the production of inventories). If the Company remeasures the lease liability in accordance with the relevant provisions of the lease standard, the book value of the right-of-use asset is adjusted accordingly.

The Company depreciates right-of-use assets on a straight-line basis based on the way the economic benefits associated with the right-of-use asset are expected to be consumed. If ownership of the leased asset can be reasonably determined at the end of the lease term, depreciation is provided over the remaining useful life of the leased asset; if ownership of the leased asset cannot be reasonably determined at the end of the lease term, depreciation is provided over the shorter of the lease term or the remaining useful life of the leased asset. The amount of provision for depreciation is charged to the cost of the related assets or current profit or loss, depending on the use of the right-of-use assets.

The Company initially measures the lease liability at the present value of the lease payments outstanding at the commencement date of the lease term. Lease payments include: ① fixed payments and substantially fixed payments, net of amounts related to lease incentives; ② variable lease payments depending on index or ratio; ③ the exercise price of the purchase option if the Company reasonably determines that the purchase option will be exercised; ④ the amount to be paid to exercise the option to terminate the lease if the lease term reflects that the Company will exercise the option to terminate the lease; and ⑤ the amount expected to be paid based on the residual value of the guarantee provided by the Company.

In calculating the present value of the lease payments, the Company uses the interest rate embedded in the lease as the discount rate. The Company uses the incremental borrowing rate as the discount rate because it cannot determine the interest rate implicit in the lease. The Company calculates interest expense on lease liabilities at a fixed periodic rate for each period of the lease term and recognizes it in profit or loss for the current period, except when it should be capitalized.

After the commencement date of the lease term, the Company increases the book balance of the lease liability when it recognizes interest on the lease liability and decreases the book balance of the lease liability when it makes lease payments. When there is a change in the substantive fixed payments, a change in the amount expected to be payable for the residual value of the guarantee, a change in the index or rate used to determine the lease payments, a change in the appraisal of, or the actual exercise of, an option to purchase, an option to renew or an option to terminate the lease, the Company remeasures the lease liability based on the present value of the lease payments as a result of the change.

2) *Short-term leases and low-value asset leases*

The Company chooses not to recognize right-of-use assets and lease liabilities for short-term leases with lease terms of less than 12 months and leases of low-value assets where the individual leased assets are brand-new assets. The Company recognizes lease payments for short-term leases and leases of low-value assets in the cost of the related assets or current profit or loss on a straight-line basis in each period of the lease term.

(3) The Company as the lessor

The Company, as a lessor, has only operating leases.

The Company recognizes lease receipts from operating leases as rental income using the straight-line method over the respective periods of the lease term.

The initial direct costs incurred by the Company in connection with operating leases should be capitalized to the cost of the underlying leased assets and amortized to current profit or loss over the lease terms on the same recognition basis as rental income. Variable lease payments acquired by the Company in connection with operating leases that are not included in the lease receipts are recognized in profit or loss when they are incurred.

If a change in an operating lease occurs, the Company accounts for it as a new lease from the effective date of the change, and the amount of lease receipts received in advance or receivable in connection with the lease before the change is the amount of lease receipts for the new lease.

24. Discontinued operations

A discontinued operation means that a component of the Company that can be separately distinguished from others and meets one of the following conditions is disposed of or classified as held-for-sale: (1) the component represents a separate major business or a separate major operating area; (2) the component is part of an associated plan to dispose of a separate major business or a separate major operating area; and (3) the component is a subsidiary acquired specifically for resale.

In the income statement, the Group has added "net profit from continuing operations" and "net profit from discontinued operations" to the income statement under "net profit" to net of tax to reflect the profit or loss related to continuing operations and the profit or loss related to discontinued operations respectively. The profit or loss related to discontinued operations should be presented as discontinued operations profit or loss, and the discontinued operation's profit or loss should be presented for the whole of the reporting period and not only for the reporting period after it is recognized as discontinued operations.

25. Fair value measurement

The Company measures derivative financial instruments at fair value at each balance sheet date. Fair value is the price that a market participant would receive for selling an asset or pay for transferring a liability in an orderly transaction occurring on the measurement date.

Assets and liabilities that are measured or disclosed at fair value in the financial statements are identified within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date; level 2 inputs are inputs other than level 1 inputs that are directly or indirectly observable for the related assets or liabilities; and level 3 inputs are unobservable inputs for the underlying assets or liabilities.

At each balance sheet date, the Company reassesses the assets and liabilities recognized in the financial statements that are continuously measured at fair value to determine whether a transition between the fair value measurement hierarchy has occurred.

26. Other significant accounting policies and accounting estimates

(1) Segment information

The Company's operating segments are defined in accordance with its internal organizational structure, management regulations and internal reporting system. An operating segment is a component of the Company that fulfills all the following conditions:

(a) The component is capable of generating revenue and incurring expenses in the ordinary course of its activities;

(b) The management of the Company reviews the operating results of the segment on a regular basis to determine the allocation of resources to it and to assess its performance; and

(c) The Company has access to information about the segment's financial position, results of operations and cash flows.

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

27. Changes in significant accounting policies and accounting estimates

(1) Significant changes in accounting policies

The content and reasons for changes in accounting policies	Notes
The Ministry of Finance issued *Accounting Standards for Business Enterprises Interpretation No. 16* on November 30th, 2022 Since the date of issuance, the Company has implemented the "Accounting for the income tax effects of dividends related to financial instruments classified as equity instruments by the issuer" and the "Accounting for the modification of cash-settled share-based payments by an enterprise to equity-settled share-based payments". Implementation of "Accounting for deferred income taxes related to assets and liabilities arising from individual transactions not applicable to the initial recognition exemption" as of January 1st, 2023.	Note

Note: On November 30th, 2022, the Ministry of Finance issued Accounting Standards for Business Enterprises Interpretation No. 16 (Caikuai [2022] No. 31): 「① Accounting for the income tax effects of dividends related to financial instruments classified as equity instruments by the issuer, ② Accounting for the modification of cash-settled share-based payments by an enterprise to equity-settled share-based payments, ③ Accounting for deferred income taxes related to assets and liabilities arising from individual transactions not applicable to the initial recognition exemption".

For a single transaction that is not a business combination and does not affect either accounting profit or taxable income (or deductible losses) at the time the transaction occurs, and the initial recognition of assets and liabilities results in the creation of taxable temporary differences and deductible temporary differences in equal amounts, the exemption from initial recognition of deferred tax liabilities and deferred tax assets in *Accounting Standard for Business Enterprises No. 18 - Income Taxes* does not apply. For a single transaction to which this provision applies that occurs between the beginning of the earliest period for which the financial statements are presented for the first time and the date of implementation, and for an estimated liability related to an abandonment obligation and a corresponding related asset recognized at the beginning of the earliest period for which the financial statements are presented for a single transaction to which this provision applies that gives rise to a taxable temporary difference and a deductible temporary difference, an enterprise shall make adjustments in accordance with this provision.

The Company implemented this regulation on January 1st, 2023 and the main impacts of the implementation of this regulation are as follows:

Affected items	December 31st, 2022 (consolidated) Before adjustment	Adjustment amount	After adjustment	December 31st, 2022 (parent company) Before adjustment	Adjustment amount	After adjustment
Balance sheet items						
Total assets	47,548,526.62	662,085.36	48,210,611.98	46,872,840.89	662,085.36	47,534,926.25
Including: Deferred income tax assets		662,085.36	662,085.36		662,085.36	662,085.36
Total liabilities	21,911,665.69	649,774.16	22,561,439.85	21,493,138.44	649,774.16	22,142,912.60
Including: Deferred income tax liabilities		649,774.16	649,774.16		649,774.16	649,774.16
Income statement items						
Net profit	-21,838,255.21	-232,108.66	-21,606,146.55	-20,918,564.67	-232,108.66	-20,686,456.01
Corporate income tax		-232,108.66	-232,108.66		-232,108.66	-232,108.66

(2) Significant changes in accounting estimates

None.

IV. OPERATING INCOME, OTHER OPERATION & EQUITY

1. Operating income

Items	2023	2022
Sales of electrical products and fittings	**1,366,340.30**	1,993,461.47
Commercial application program and software	**21,637,580.91**	26,030,617.26
Installation and maintenance of network and data security products	**18,095,587.17**	6,851,233.79
Total	**41,099,508.38**	34,875,312.52

2. Other operation & equity

Items	2023	2022
Interest income	**134,350.35**	150,041.94
Breakdown of government grants		
Other income (input tax plus deduction)		
Property rental income	**1,561,985.81**	1,127,518.00
Investment income of available for sale financial assets	**22,200.00**	28,800.00
Credit impairment losses		
From long-term equity investment under equity method	**947,316.97**	-647,003.09
Change on fair value of other non-current financial assets	**15,239.64**	
Investment income from disposal of financial assets held for trading	**9,041.10**	219,849.32
Financial assets held for trading	**550,029.04**	356,066.13
Others	**517,411.03**	126,582.29
Total	**3,757,573.94**	1,361,854.59

V. SEGMENT INFORMATION

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

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

Reporting segments for 2023

Item	Business application project and application software	Sales Products	Undistributed portion	Offset	Total
Operating Income	39,733,168.08	1,366,340.30			41,099,508.38
Including: Income from external transactions	39,733,168.08	912,280.63			41,099,508.38
Income from inter-segment transactions					–
Operating costs	28,769,342.76	912,280.63			29,681,623.39
Dividend of associations			947,316.97		947,316.97
Interest income			134,350.35		134,350.35
Undistributed income			2,675,906.62		2,675,906.62
Period expenses			22,159,013.75		22,159,013.75
Undistributed other expenses			12,158.40		12,158.40
Segments' total profits (total loss)	10,963,825.32	454,059.67	–18,413,598.21		–6,995,713.22
Total assets	5,067,576.63	936,283.21	33,395,439.61		39,399,299.45
Equity of associates			7,636,572.57		7,636,572.57
Other non-current financial assets			4,377,803.44		4,377,803.44
Unallocated corporate assets			21,381,063.60		21,381,063.60
Total liabilities	11,833,798.82	1,971,337.01	6,826,256.66		20,631,392.49
Undistributed liabilities			6,826,256.66		6,832,556.66
Supplementary information					–
Capital expenditure					–
Impairment loss recognized for the period	–735,056.20				–735,056.20
Including: Impairment loss of account receivable	103,480.22				103,480.22
Reversal of impairment loss recognised on account receivables	-838,536.42				–838,536.42
Inventory impairment					
Reversal of impairment loss recognised on inventory					
Depreciation and amortisation expenses	335,383.60		593,348.50		928,732.10

Reporting segments for 2022 (last year)

Item	Business application project and application software	Sales Products	Undistributed portion	Offset	Total
Operating Income	32,881,851.05	1,993,461.47		–	34,875,312.52
Including: Income from external transactions	32,881,851.05	1,993,461.47		–	34,875,312.52
Income from inter-segment transactions				–	–
Operating costs	26,145,396.90	1,598,476.23		–	27,743,873.13
Dividend of associations			-647,003.09	–	-647,003.09
Interest income			150,041.94	–	150,041.94
Undistributed income			1,854,687.84	–	1,854,687.84
Period expenses			24,414,879.04	–	24,414,879.04
Undistributed other expenses			5,912,542.25	–	5,912,542.25
Segments' total profits (total loss)	6,736,454.15	394,985.24	-28,969,694.60	–	-21,838,255.21
Total assets	6,192,077.00	74,061.34	41,944,473.64	–	48,210,611.98
Equity of associates			11,911,238.82	–	11,911,238.82
Other non-current financial assets			4,362,563.80	–	4,362,563.80
Unallocated corporate assets			25,670,671.02	–	25,670,671.02
Total liabilities	8,887,265.77	2,540,235.63	11,133,938.35	–	22,561,439.75
Undistributed liabilities			11,133,938.35	–	11,133,938.35
Supplementary information				–	–
Capital expenditure				–	–
Impairment loss recognized for the period	864,736.42			–	864,736.42
Including: Impairment loss of account receivable	864,736.42			–	864,736.42
Reversal of impairment loss recognised on account receivables				–	–
Inventory impairment				–	
Reversal of impairment loss recognised on inventory				–	
Depreciation and amortisation expenses	718,911.37		1,472,502.19	–	2,191,413.56

Geographical information

All the Company's income was generated from customers in the PRC as at 31 December 2022 and 31 December 2021, and all the Company's assets were in the PRC. Therefore, no geographical segment information is presented.

Information about major customers

There is no customer with whom the Company's transactions has exceeded 10% of total income during the year 2022 and 2021.

Customer Name	Contract classification	Income	Revenue proportion
Shanghai Big Data Center	Installation and maintenance of network and data security products	7,075,471.71	16.59%

VI. TAXES

1. Main tax types and rates

Tax category	Tax base	Tax rate
Value-added tax (VAT)	Income from sale of goods, income from technical services	13%/6%/9%
City maintenance and construction tax	Amount of VAT payable	7%
Education surcharge	Amount of VAT payable	5%
Corporate income tax	Taxable income	15%

Enterprise income tax rates for taxpayers:

Name of taxpayer	Income tax rate
The Company	15.00%
JIAODA WITHUB (HONG KONG) LIMITED	16.50%

Note: The Company's major operations are in the mainland; therefore, the tax expense is mainly in the mainland.

2. Tax incentives and approvals

(1) Corporate income tax

The Company obtained the ''High and New Technology Enterprise Certificate (Certificate No. GR202231007910)'' issued by the Shanghai Municipal Science and Technology Commission, Shanghai Municipal Bureau of Finance, and Shanghai Municipal Taxation Bureau of the State Administration of Taxation on December 14th, 2022, with a validity period of 3 years. According to the *Law of the People's Republic of China on Enterprise Income Tax*, the applicable enterprise income tax rate of the Company for FY2023 is 15%.

(2) Value-added tax (VAT)

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Comprehensively Implementing the Pilot Program of Changing Business Tax to Value-added Tax* (Caishui [2016] No. 36) and *Regulations on the Transitional Policies for the Pilot Program of Business Tax to Value-added Tax*, Article 1(26), taxpayers entrusted with the provision of technological development and related technical consulting and technical services are exempted from value-added tax (VAT).

According to Article 3 (1) of the Announcement of the Ministry of Finance and the State Administration of Taxation on Clarifying Policies for Value Added Tax Reduction and Exemption for Small scale Taxpayers (Announcement No. 1 of 2023 of the Ministry of Finance and the State Administration of Taxation): Taxpayers in the productive service industry are allowed to add 5% of the current deductible input tax to offset the taxable amount.

The Company applied the above VAT incentives for FY2023.

VII. BEFORE TAX OF COST AND FEE

Item	**2023**	**2022**
Sales cost		
Sales of electrical products and fittings	912,280.63	1,598,476.23
Commercial application program and software	15,690,763.83	21,503,284.22
Installation and maintenance of network and data security products	13,078,578.93	4,642,112.68
Tax and surcharges	149,094.88	65,928.12
Selling expenses	883,687.94	1,110,218.35
Total	30,714,406.21	28,920,019.60
Staff costs (including directors', chief executive's and supervisors emoluments)		
Salaries and other benefits	18,492,311.02	20,177,521.36
Termination benefits	411,422.00	–
Contributions to retirement benefits scheme	2,299,143.53	2,830,081.72
Total	21,202,876.55	23,007,603.08
Auditor's remuneration	360,000.00	360,000.00
Research and development expenditure	4,827,757.25	5,312,197.56
Others Administration expense	1,885,768.06	2,600,318.20
Rental cost	593,348.50	1,472,502.19
Exchange gains and loss	–	–4,665.08
Interest expenses	198,553.79	302,960.81
Charges	3,470.49	2,995.15
Disposal loss of non-current assets	4,771.22	–
Loss from changes in fair values		4,127.90
Other expenses	–	–
Loss of credit impairment	–735,056.20	864,736.42
Loss of assets impairment	–	3,509,375.52
Subtotal	7,138,613.11	14,424,548.67

VIII. 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 2023: recommend not to distribute dividends as at 31 December 2022
Profits or dividends approved to declare to pay after consideration	None

IX. 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	**9,741,175.16**	**100**	**4,413,558.57**	**45.31**	**5,327,616.59**
Total	**9,741,175.16**	**100**	**4,413,558.57**	**45.31**	**5,327,616.59**

Continued

Category	Beginning Balance				
	Book balance		Bad debt provision		Book value
	Amount	Percent %	Amount	Percent %	
Bad debt provision on portfolio	10,196,535.48	100.00	5,148,614.77	50.49	5,047,920.71
Total	10,196,535.48	100.00	5,148,614.77	50.49	5,047,920.71

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

Aging	**Ending Balance**		
	Accounts receivables	**Bad debt provision**	**Expected credit loss rate for the whole duration**
3 months (inclusive)	**1,959,776.37**		**0%**
3 months to 6 months (inclusive)	**1,078,389.53**		**0%**
7 months to 12 months (inclusive)	**991,453.49**		**0%**
Over 1 year	**4,413,558.57**	**4,413,558.57**	**100%**
Total	**8,443,177.96**	**4,413,558.57**	

Continued

Aging	**Beginning Balance**		
	Accounts receivables	**Bad debt provision**	**Expected credit loss rate for the whole duration**
3 months (inclusive)	4,560,045.00		0%
3 months to 6 months (inclusive)			
7 months to 12 months (inclusive)			
Over 1 year	5,148,614.77	5,148,614.77	100.00%
Total	9,708,659.77	5,148,614.77	

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

Aging	Ending Balance		
	Book balance	**Bad debt provision**	**Expected credit loss rate for the whole duration**
Guarantee deposit and project payment within credit period	**1,283,787.20**		**0%**
Guaranteed recovery			
Related party with regular transactions	**14,210.00**		**0%**
Total	**1,297,997.20**		

Continued

Aging	Beginning Balance		
	Book balance	**Bad debt provision**	**Expected credit loss rate for the whole duration**
Guarantee deposit and project payment within credit period	473,665.71		0%
Guaranteed recovery			
Related party with regular transactions	14,210.00		0%
Total	487,875.71		

(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)	**1,959,776.37**	4,560,045.00
3 months to 6 months (inclusive)	**1,078,389.53**	
7 months to 12 months (inclusive)	**991,453.49**	
Over 1 year	**1,297,997.20**	487,875.71
Total	**5,327,616.59**	5,047,920.71

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

Aging	Ending Balance	Beginning Balance
Not overdue and no impairment	**4,336,163.10**	4,560,045.00
Overdue but no impairment 7 months to 12 months (inclusive)	**991,453.49**	
Over 1 year		487,875.71
Total	**5,327,616.59**	5,047,920.71

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	**5,148,614.77**	4,283,878.35
Cancellation of bad debts		
Additional bad debt provision	**103,480.22**	864,736.42
Deductible bad debt provision	**838,536.42**	
At 31st December	**4,413,558.57**	5,148,614.77

X. TRADE PAYABLE

Item	Ending Balance	Beginning Balance
Project	**8,982,668.18**	6,124,136.67
Goods	**1,971,337.01**	3,073,044.06
Total	**10,954,005.19**	9,197,180.73

XI. RETURN ON EQUITY AND EARNINGS PER SHARE:

Profit in the reporting period	Weighted average return on equity (%)	Ending Balance (RMB/share) Basic earnings per share	Diluted earnings
Net profit attribute to the equity holders of the parent company	–31.39	–0.0146	–0.0146
Net profit attributed to the equity holders of the parent company after deducting non-recurring gains and losses	–36.38	–0.0169	–0.0169

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDENDS

The Directors do not recommend the payment of any dividends in respect of the year ended 31 December 2023.

RESULTS

For the year ended 31 December 2023, the Group recorded a turnover of approximately RMB42,661,494.19 (2022: approximately RMB36,002,830.52), representing an increase of RMB6,658,663.67 or 18.49% as compared to last year. The Group recorded a loss of RMB6,989,010.94 for the year ended 31 December 2023, while a loss for the year ended 31 December 2022 was RMB21,606,146.55.

BUSINESS REVIEW AND FUTURE PROSPECTS

For the entire financial year under review ended 31 December 2023, the total revenue of the Group increased from RMB36,002,830.52 to RMB42,661,494.19. The increase of RMB6,658,663.67 in revenue represents an increase of 18.49% of the Group's sales as compared with that for 2022. The Group recorded a loss before tax of RMB21,838,255.21 for the previous year and a loss before tax of RMB6,995,713.22 during the year.

Revenue of the main business was mainly generated from business solutions and application software business, which accounted for 50.72% of the total sales (or RMB21,637,580.91), and, to a lesser extent, from installation and maintenance of network and data security products, which accounted for 42.42% of the total sales (or RMB18,095,587.17), followed by sales of electrical products and fittings which accounted for 3.20% of the total sales (or RMB1,366,340.30). 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 decreased by RMB4,393,036.35 from RMB26,030,617.26 for the previous year, representing a decrease of 16.88%. The decrease was mainly due to non-completion of certain large projects.

Revenue from the installation and maintenance of network and data security products increased by RMB11,244,353.38 from the previous year of RMB6,851,233.79, representing an increase of 164.12%. The increase was mainly due to the addition in the projects of installment and maintenance for the year.

Revenue of sales of electronic products and accessories decreased by RMB627,121.17 from RMB1,993,461.47 for the previous year, representing a decrease of 31.46%. The decrease was mainly due to the shrinkage in purchase and sale business and the net amount method adopted for some businesses to recognize revenue.

The gross profit of the main business increased from RMB7,131,439.39 for the previous year to RMB11,417,884.99, representing an increase of RMB4,286,445.60 or 60.11%. The gross profit margin of the main business increased from 20.45% for the previous financial year to 27.78% for the current year.

Other revenue increased by RMB434,467.81 to RMB1,561,985.81 for the current year from RMB1,127,518.00 for the previous year, representing an increase of 38.53%.

The share of profits of associates amounted to RMB947,316.97 for the current year as compared to the profit of RMB–647,003.09 for the previous year, representing an increase of RMB1,594,320.06.

Selling expenses increased by RMB635,743.07 from RMB4,072,712.54 for the previous year to RMB 4,708,455.61 for the current year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2023, shareholders' funds of the Group amounted to approximately RMB18,767,906.96 (2022: RMB25,649,172.23). Current assets amounted to approximately RMB24,826,693.21 (2022: RMB26,873,821.01), of which approximately RMB17,869,475.62 (2022: RMB20,197,211.85) were cash and bank balances. The Group had non-current liabilities amounting to approximately RMB324,887.08 (2022: RMB2,875,430.32), and its current liabilities amounted to approximately RMB20,306,505.41 (2022: RMB19,686,009.43), which mainly comprised other payables and accrued expenses. The Group did not have any long-term debts.

WORKING CAPITAL RATIO AND GEARING RATIO

As at 31 December 2023, the Group had a net cash position and its working capital ratio (current assets divided by current liabilities) was 1.22 (2022: 1.37), and its gearing ratio (liabilities divided by total assets) was approximately 52.36% (2022: 46.80%).

CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS

Classification of investment	Held by the Company	Principal business	Number of shares held	Percentage of shareholding	Percentage of total assets of the issuer	Cost of investment	Balance as at 31 December 2022	Fair value as at 31 December 2022	Revenue recognised during the year	Dividends for the year	Remarks
Long-term equity investment	Shanghai TonTron Information Technology Co., Ltd.*(上海通創信息技術股份有限公司)	Software and information technology services	3,783,784	33.94%	13.34%	3,200,000.00	5,256,270.14	5,256,270.14	809,545.03	N/A	
	Shanghai Huigu DuoGao Information Engineering Co. Ltd.* (上海慧谷多高信息工程有限公司)	Software and information technology services	1,802,000	34%	6.04%	1,802,000.00	2,380,302.43	2,380,302.43	137,771.94	N/A	
Other non-current financial assets	Shanghai Jiaoda Withub Technology Street Company Limited* (上海交大慧谷科技街有限公司)	Technology promotion and application service	1,500,000	3%	11.11%	1,500,000.00	4,377,803.44	4,377,803.44	N/A	22,200.00	
					Total	6,502,000.00	12,014,376.01	12,014,376.01	947,316.97	22,200.00	
					Total assets	39,399,299.45					

Shanghai TonTron Information Technology Co., Ltd.（上海通創信息技術股份有限公司）is a joint venture established by Shanghai Telecom Gonghui Technology Service Co., Ltd.*（上海電信公惠科技服務有限公司）and Shanghai Jiaoda Withub Information Industrial Company Limited*（上海交大慧谷信息產業股份有限公司）, and it aims to establish itself as a high-tech enterprise with intensive knowledge and talents by leveraging the resource advantages enjoyed by Shanghai Telecom and Shanghai Jiao Tong University in the fields of information and communication technology and management. Taking into account the specific circumstances of the market development within the industry, the company will prioritize seeking opportunities in the software and information technology services industry, such as application and software development, customized software solutions, and the development of technical services. The Company will continue to invest in subsidiaries that demonstrate sustained profitability.

Shanghai Huigu DuoGao Information Engineering Co. Ltd.*（上海慧谷多高信息工程有限公司）was jointly invested and established by Tiancheng Group, Shanghai Jiaoda Withub Information Industrial Company Limited*（上海交大慧谷信息產業股份有限公司）, and Shanghai Cable Television Association（上海有線電視協會）, and is engaged in the integrated design and construction of intelligent building systems such as communication, computer, network, technical defense, modern property management, and other professional businesses such as cable TV, satellite reception, audio-visual education, computer software, and multimedia technology. The Company will continue to invest in subsidiaries that demonstrate sustained profitability.

Shanghai Jiaoda Withub Technology Street Company Limited*（上海交大慧谷科技街有限公司）is a joint venture established by Shanghai Xufang (Group) Co., Ltd.*（上海徐房（集團）有限公司）, Shanghai Jiaoda Science and Technology Park Limited*（上海交大科技園有限公司）, Shanghai Jiaoda Withub Information Industrial Company Limited*（上海交大慧谷信息產業股份有限公司）and others. It has been deeply involved in the fields of property leasing and construction decoration for many years. Leveraging its experience in technology service promotion, it can help to enhance the Company's long-term competitive capabilities, and can provide the Company with resources to develop existing business. The Company will continue to invest in subsidiaries that demonstrate sustained profitability.

Save for the disclosure herein, the Group had no capital commitments and significant investments for the year ended 31 December 2023.

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 2023.

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 5 to the consolidated financial statements.

EMPLOYEE INFORMATION

As at 31 December 2023, the Group had 81 full-time employees (2022: 101), comprising 13 in management, finance and administration (2022: 16), 36 in research and development (2022: 39), 25 in application development and engineering (2022: 27), and 6 in sales and marketing (2022: 17). Also, the Group had 1 school staff (2022: 2).

The Group did 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.

The remuneration of employees, including Directors' emoluments and all staff-related costs for the year ended 31 December 2023, was approximately RMB21,202,876.55 (2022: RMB23,007,603.08).

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

CHARGES ON GROUP ASSETS

As at 31 December 2023, the Group did not have any charges on its assets (2022: 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 2023, the Group's monetary assets and transactions were mainly denominated in RMB, HKD and USD. Though the exchange rates among RMB, HKD and USD are not pegged, there are relatively low levels 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 2023, the Group did not have any significant contingent liabilities (2022: Nil).

EVENT AFTER THE REPORTING PERIOD

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 21 May 2024 to 20 June 2024 (both days inclusive), during which no transfer of shares will be effected. The holders of shares whose name appears on the register of members of the Company on 20 June 2024 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 20 May 2024.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY THE DIRECTORS AND SUPERVISORS

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

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 2023.

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, Mr. Liu Feng and Mr. Zhou Guolai.

The Company's consolidated financial statements for the year ended 31 December 2023 have been reviewed by the Audit Committee, who gave advice on such statements to the Board. The financial reporting system, risk management and internal control systems of the Company have also been reviewed by the Audit Committee, who were of the opinion that no further improvement was required for the time being. During the year, the Audit Committee 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 2023, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the year 2023 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 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 Chinese Institute of Certified Public Accountants, 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 C1 of the GEM Listing Rules throughout the year.

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*
Zhang Xiaobo
Chairman

Shanghai, the PRC, 21 March 2024

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

Executive directors	Zhang Xiaobo, Shuai Ge, Cao Zhen, Hu Lunjie, Gu Xiaomin and Sun Jingchen
Independent non-executive directors	Yuan Shumin, Liu Feng and Zhou Guolai

This announcement will remain on the "Latest Listed Company Information" page of the Stock Exchange website at http://www.hkexnews.hk for at least 7 days from the date of its posting.

* *For identification purpose only*