

PORTER HOLDING INTERNATIONAL, INC.

FORM 10-K (Annual Report)

Filed 04/15/19 for the Period Ending 12/31/18

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: **December 31, 2018**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File No. **333-196336**

PORTER HOLDING INTERNATIONAL, INC.

(Exact Name of Registrant as Specified in Its Charter)

Nevada

(State or Other Jurisdiction of Incorporation or Organization)

42-1777496

(I.R.S. Employer Identification No.)

**36th Floor, Shenzhen Development Center, #2010, Renmin South Road
Luohu District, Shenzhen, Guangdong, China, 518001**

(Address of Principal Executive Offices)

86-755-22230666

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Exchange Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Non-Accelerated Filer

Accelerated Filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of June 29, 2018 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the shares of the registrant's common stock held by non-affiliates (based upon the last sale price of \$4.44 per share) was approximately \$524 million. Shares of the registrant's common stock beneficially held by each executive officer and director and by each person who owns 10% or more of the outstanding common stock have been excluded from the calculation in that such persons may be deemed to be affiliates of the registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

There were a total of 508,110,000 shares of the registrant's common stock outstanding as of April 12, 2019.

DOCUMENTS INCORPORATED BY REFERENCE

None.

PORTER HOLDING INTERNATIONAL, INC.

Annual Report on Form 10-K

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INTRODUCTORY NOTE

Special Note Regarding Forward Looking Statements

In addition to historical information, this report contains forward-looking statements. We use words such as “believe,” “expect,” “anticipate,” “project,” “target,” “plan,” “optimistic,” “intend,” “aim,” “will” or similar expressions which are intended to identify forward-looking statements. Such statements include, among others, those concerning market and industry segment growth; any projections of earnings, revenue, margins or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements regarding future economic conditions or performance; as well as all assumptions, expectations, predictions, intentions or beliefs about future events. You are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, including those identified in this annual report, as well as assumptions, which, if they were to ever materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements.

Readers are urged to carefully review and consider the various disclosures made by us in this report and our other filings with the SEC. These reports attempt to advise interested parties of the risks and factors that may affect our business, financial condition and results of operations and prospects. The forward-looking statements made in this report speak only as of the date hereof and we disclaim any obligation to provide updates, revisions or amendments to any forward-looking statements to reflect changes in our expectations or future events.

Use of Terms

Except as otherwise indicated by the context and for the purposes of this report only, references in this report to:

- “Company,” “we,” “us” and “our” are to the combined business of Porter Holding International, Inc., a Nevada corporation, and its consolidated subsidiaries and variable interest entities;
 - “PGL” are to Porter Group Limited, a Republic of Seychelles company and our wholly-owned subsidiary;
 - “PPBGL” are to Porter Perspective Business Group Limited, a Hong Kong company and wholly-owned subsidiary of PGL;
 - “Qianhai Porter” are to Shenzhen Qianhai Porter Industrial Co. Ltd., a PRC company and wholly-owned subsidiary of PPBGL;
 - “Portercity” are to Shenzhen Portercity Investment Management Co. Ltd., a PRC company;
 - “Porter E-Commerce” are to Shenzhen Porter Warehouse E-Commerce Co. Ltd., a PRC company and wholly-owned subsidiary of Portercity;
 - “Porter Consulting” are to Shenzhen Yihuilian Information Consulting Co. Ltd., a PRC company and wholly-owned subsidiary of Portercity;
 - “Porter Commercial” are to Shenzhen Porter Commercial Perspective Network Co., Ltd., a PRC company and wholly-owned subsidiary of Portercity;
 - “Weifang Portercity” are to Weifang Porter City Commercial Management Company Limited, a PRC company and a 60% owned subsidiary of Portercity;
 - “VIEs” means our consolidated variable interest entities, including Portercity and its subsidiaries, Porter E-Commerce, Porter Consulting and Porter Commercial as depicted in our organizational chart below;
 - “Hong Kong” refers to the Hong Kong Special Administrative Region of the People’s Republic of China;
 - “China” and “PRC” refer to the People’s Republic of China;
 - “Renminbi” and “RMB” refer to the legal currency of China;
 - “U.S. dollars,” “dollars” and “\$” refer to the legal currency of the United States;
 - “SEC” are to the U.S. Securities and Exchange Commission;
 - “Exchange Act” are to the Securities Exchange Act of 1934, as amended;
 - “Securities Act” are to the Securities Act of 1933, as amended.
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PART I

ITEM 1. BUSINESS.

Our Corporate History and Background

We were incorporated in the State of Nevada on September 5, 2013. Our original business plan was to sell freshly squeezed juices from mobile stands in London, United Kingdom, but this business was not successful and we did not generate any revenue from this business.

On April 7, 2017, we completed the acquisition of PGL and as a result, PGL became our wholly-owned subsidiary and the former shareholders of PGL became the holders of approximately 98.4% of our issued and outstanding capital stock on a fully-diluted basis. We changed our name to Porter Holding International, Inc. on May 8, 2017 to more accurately reflect our new business. For accounting purposes, the transaction with PGL was treated as a reverse acquisition, with PGL as the acquirer and the Company as the acquired party. Unless the context suggests otherwise, when we refer in this report to business and financial information for periods prior to the consummation of the reverse acquisition, we are referring to the business and financial information of PGL and its consolidated subsidiaries.

As described below in more detail, through our PRC VIEs that have contractual arrangements with PGL's subsidiary, Qianhai Porter, we are at the early stage of developing our O2O (Online to Offline) business and our goal is to become a leading innovative O2O business platform operator providing both online E-commerce and offline physical business facilities to our customers.

Our Corporate Structure

PRC laws and regulations prohibit or restrict foreign ownership of companies that operate Internet information and content, Internet access, online games, mobile, value added telecommunications and certain other businesses in which we are engaged or could be deemed to be engaged. Consequently, we conduct certain of our operations and businesses in the PRC through our VIEs.

PGL, a Seychelles holding company, was formed on October 13, 2016. The share capital of the company is \$50,000 divided into 500,000,000 ordinary shares of \$0.0001 par value each. On December 6, 2016, the authorized and issued capital of PGL increased to \$725,000 divided into 7,250,000,000 shares with a par value of \$0.0001 each. PGL was owned and controlled by the same control group as PPBGL and Portercity.

On November 29, 2016, Mr. Zongjian Chen, the sole shareholder of PPBGL, transferred 100% of the outstanding shares of PPBGL to PGL. The share transfer has been accounted for as a common control transaction. Other than its 100% ownership of PPBGL, PGL has no significant assets and no other business operations.

PPBGL was incorporated in Hong Kong on September 21, 2016 as a company with limited liability as an investment holding company. Upon incorporation, PPBGL issued 1 ordinary share at HK\$1. Also on September 21, 2016, an additional 9,999 ordinary shares were issued, and Mr. Zongjian Chen held all the 10,000 ordinary shares of PPBGL on behalf of the original investors of Portercity. PPBGL is currently controlled by Mr. Zongjian Chen and other investors and has no significant assets or business operations.

Qianhai Porter was incorporated in the PRC as a wholly foreign-owned enterprise with limited liability on November 21, 2016. Qianhai Porter was set up by PPBGL. Qianhai Porter was incorporated to control the shareholders' voting interests in Portercity and become the primary beneficiary of Portercity and its wholly owned subsidiaries, Porter E-Commerce, Porter Consulting and Porter Commercial.

Portercity was held by Mr. Zonghua Chen (brother of Mr. Zongjian Chen) and Ms. Xiaomei Xiong (spouse of Mr. Zongjian Chen) on behalf of other investors, including Mr. Zonghua Chen himself.

On December 1, 2016, Portercity acquired a 100% equity interest in Porter Consulting, from Shenzhen Porter Holdings Co., Ltd., for a cash consideration of \$144,154 (RMB1,000,000).

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On December 15, 2016, our indirectly wholly-owned Chinese subsidiary, Qianhai Porter, Portercity and the shareholders of Portercity entered into the following commercial arrangements, or collectively, VIE Agreements, pursuant to which we have contractual rights to control and operate the businesses of Portercity and Portercity's three Chinese subsidiaries, Porter E-Commerce, Porter Consulting and Porter Commercial:

- Pursuant to a commission management and consulting services agreement, or the Service Agreement, Qianhai Porter agreed to act as the exclusive management and advisory consultant of Portercity and provide client management, marketing promotion counseling, corporate management and counseling, finance counseling and personnel training services to Portercity. In exchange, Portercity agreed to pay Qianhai Porter a management and consulting fee to be equivalent to the amount of net profit before tax of Portercity;
- Pursuant to an exclusive right and option to purchase agreement, or the Option Agreement, the shareholders of Portercity granted to Qianhai Porter the exclusive right and option to purchase, at any time during the term of the Option Agreement, all of the assets of and equity interests shares in Portercity, at the exercise price equal to the lowest possible price permitted by Chinese laws;
- Pursuant to a shareholders' voting rights proxy agreement, or the Voting Rights Agreement, each of the shareholders of Portercity irrevocably appointed the representatives designated by Qianhai Porter to exercise its exclusive voting right of shareholders in the general meeting of shareholders of Portercity; and
- Pursuant to an equity interest pledge agreement, the Pledge Agreement, the shareholders of Portercity pledged all of the equity interests in Portercity and any and all legitimate income generated from such equity interests to Qianhai Porter to ensure the rights, privileges and concessions of Qianhai Porter under this and the above contractual arrangements.

The foregoing description of the VIE Agreements is qualified in its entirety by reference to the text of the VIE Agreements, a copy of each of the VIE Agreements is incorporated by reference as Exhibits 10.1 through 10.4 hereto.

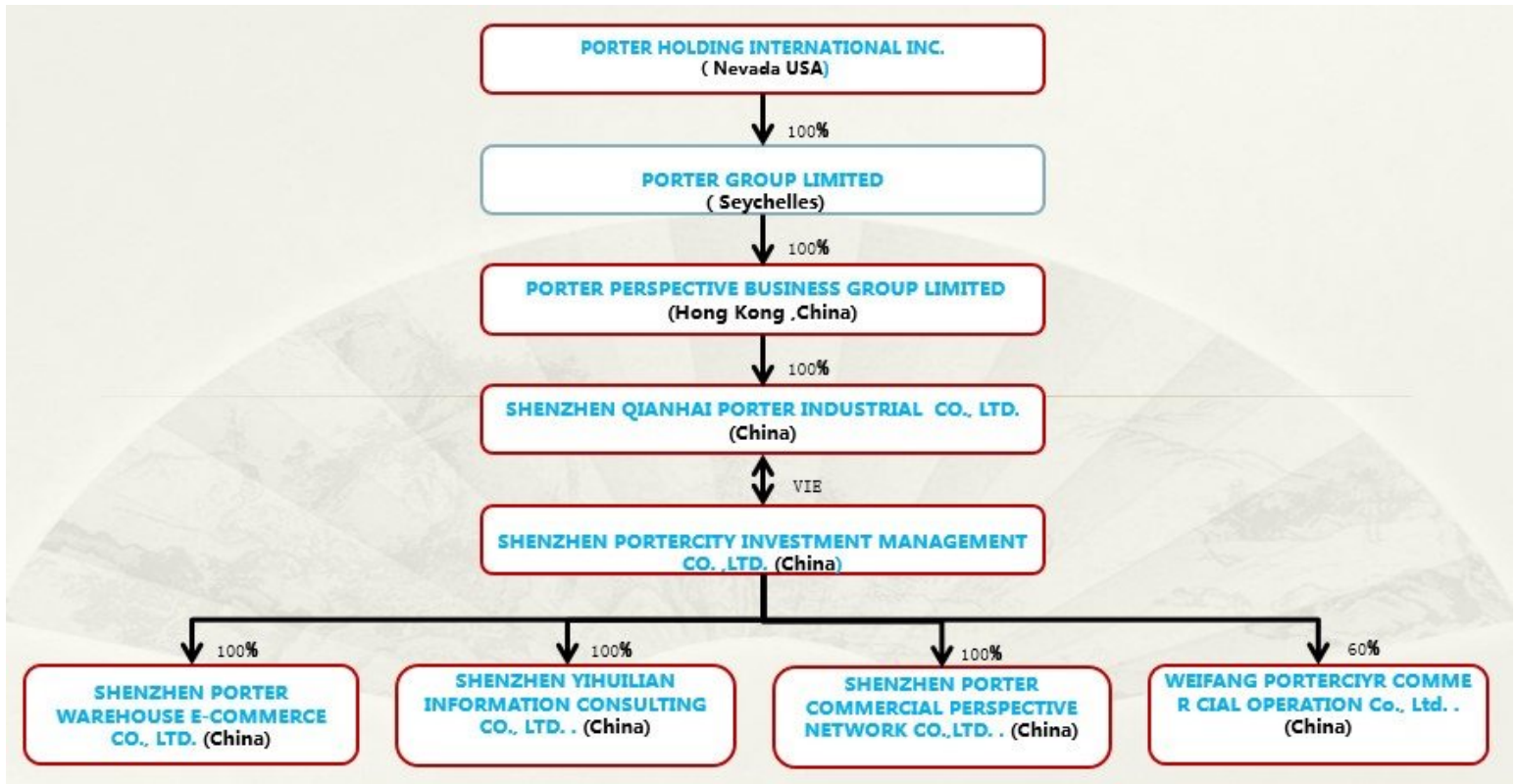
As a result of the above contractual arrangements, or the Contractual Arrangements, we maintain substantial control over the VIEs' daily operations and financial affairs, election of their senior executives and all matters requiring shareholder approval. Furthermore, as the primary beneficiary of the VIEs, we are entitled to consolidate the financial results of the VIEs in our own consolidated financial statements under Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) Topic 810 and related subtopics related to the consolidation of variable interest entities, or ASC Topic 810.

In the opinion of Guang Dong LianRui Law Firm, our PRC legal counsel:

- the ownership structures of our wholly-foreign owned enterprise and VIEs in China do not and will not violate any applicable PRC law, regulation, or rule currently in effect; and
- the contractual arrangements between our material wholly-foreign owned enterprise, our material variable interest entity and the variable interest entity equity holders governed by PRC laws are valid, binding and enforceable in accordance with their terms and applicable PRC laws, rules, and regulations currently in effect, and will not violate any applicable PRC law, regulation, or rule currently in effect.

However, we have been further advised by our PRC legal counsel, Guang Dong LianRui Law Firm, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, rules and regulations. Accordingly, the PRC regulatory authorities may, in the future, take a view that is contrary to the opinion of our PRC legal counsel. We have been further advised by our PRC legal counsel that if the PRC government finds that the agreements that establish the structure for operating our Internet-based business do not comply with PRC government restrictions on foreign investment in the aforesaid business we engage in, we could be subject to severe penalties including being prohibited from continuing operations. See "Risk Factors — Risks Relating to our Commercial Relationship with VIEs."

The chart below presents our corporate structure as of the date of this report:



Our principal executive offices are located at 36th Floor, Shenzhen Development Center, #2010, Renmin South Road, Luohu District, Shenzhen, Guangdong, China, 518001. The telephone number at our principal executive office is 86-755-22230666.

Our Business Plan

With the development of mobile Internet, e-commerce, social networks, physical stores and the coming of big data economy era, the online and offline worlds are becoming increasingly more integrated. The Online to Offline (O2O) business model that contains the original business-to-business (B2B), business-to-consumer (B2C) and consumer-to-consumer (C2C) is in the rapid development., O2O is no longer a one-way consumption model, which neither merely guides traditional purchasers to consume online nor only leads online consumers to enjoy offline experience or service.

However, the O2O commerce solutions industry in China is still in its early stages of development and is heavily fragmented with a wide range of services being introduced. The O2O category stretches to include on-demand services like Didi Chuxing, the Chinese equivalent of Uber, Meituan and Dianping, China’s Groupon and Yelp, as well as click-and-collect services offered by traditional brick-and-mortar retailers. In China O2O also covers all manner of services that might not be cost effective to offer in Western markets, including pick-up dry cleaning, home haircuts or wholesale and fresh market delivery services.

We are a commercial platform provider that offers “O2O (network + entity)*service” and only focus on commodities and merchants. First, we provide commodities with concrete platforms and operation in terms of online marketing coverage and offline marketing services. The online marketing coverage refers to services such as global display of commodities information, sales, procurement, payment. The offline marketing services include offline storage, logistics, distribution, exhibition, order, wholesale, retail, brokerage, purchasing, after-sales services, which can certainly be synchronized with the online marketing coverage.

Secondly, we provide merchants with concrete platforms and operation in terms of online marketing coverage and offline marketing services. The online marketing coverage for merchants refers to services such as global promotion of corporate brand & image of merchants, layout of distributor and agency channels, sharing of supply and demand information, creation of commercial credit, recruitment of talents. The offline marketing services are offered to merchants with value-added services such as brand marketing, financial services, credit guarantees, capital market access and public listing, training, education, summits, government relations, and third-party professional services referrals.

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Specifically, we are currently developing and plan to provide following core products and services to our customers:

1. Our PT37.com platform (also known as "platform business opportunity" with ICP qualification, established and went into operation at 2009), is a commercial cloud platform, in which all kinds of global small and medium-sized enterprises can apply for access and obtain services free of charge. It is a professional information-supply-and-demand platform with high degree of flexibility, in which enterprises could achieve enterprise informatization within a short time. Through the platform, the enterprises can internally realize IMIS information management and externally release information, display product and services. At present, the categories of products on the pt37.com platform include books, videos, instruments, household appliances, electronic products, home furniture, clothing, automobiles, toys, food and beauty. Each category could be further divided into sub-categories with various search criteria and parameters, allowing merchants to accurately search for information and increase the relevance of searched results. Currently, there are millions of member companies registered on the platform. We do not charge them but we will select high-quality merchant customers based on the transaction volume to enter our O2O platform for operation. In other words, this is a customer resources screening pool as well as the starting point of our "O2O (Network + Entity) * Services" business model.
2. Our 17yugo.com platform (also known as: Porter E-Mall, with ICP qualifications, established and went into operation at 2018) is the online section of our "O2O (Network + Entity) * Services" business model. Currently hundreds of merchants have been selected from member enterprises and thousands of goods of origin have been stationed. In the future, these merchants and products will be stationed in offline Port City simultaneously, and the layout of Porter E-Mall will be synchronized with the physical Port City.
3. Our Port City platform is offline section of our "O2O (Network + Entity) * Services" business model. Regional center cities are top choices of Port City, which may cover more than 1 million square meters. Each Port City will have functions including exhibition, brokerage, procurement, wholesale, order, hotel, conference, warehousing, logistics, distribution and payment. At the same time, within the 200-kilometer range around the Potter City, the traditional 50-square-meter physical stores will be upgraded to form "satellite" physical stores in Porter City with in-depth sales and other services.

Port City platform is built by third parties or through cooperation with third-party property owners. We conduct management and profit earning through operating the platform. The first physical Port City is currently under construction, and the upgrades of nearly thousands of "satellite" stores have been completed.

4. Our payment platform is dedicated to the development of internet software and hardware services for enterprises and individuals. At present, the external services include Internet payment, mobile payment, POS machine receipt, electronic technology development, and Internet marketing services, while the internal services are to provide payment services for our own O2O platform.

Since 2017 and 2018, we have carried out a large number of value-added services for all of our merchant members and customers based on the simultaneous operation of the "O2O (Network + Entity) * Service" business model, and thus earned revenues. In 2017, by collecting conference fees, we organized member companies to conduct new economic summits and forums to preach and disseminate our "O2O (network + entity) * service" business model. In 2018, we began to screen member merchant enterprises to enter our O2O platform, and provided them with "O2O (network + entity) * service" commercial operation services. For those qualified enterprises, we offer public listing consulting services, which help us achieve good returns. At the beginning of 2019, we began to expand the global trade and commodity import and export business of the stationed enterprises.

Investment and Corporate Management Consulting Services

According to the development demand and future goals of our customers, in 2018 we started to offer a series of services such as business planning, financial guidance, business matching and guidance for listing primarily in the United States. At present, in our customer pool, many small and medium-sized enterprises have increased their public awareness. They are seeking the potential advantages of being a listed company and striving for obtaining the recognition of international capital to accelerate their corporate expansion. But many enterprises themselves may not be familiar with the listing requirements, laws and regulations of different capital markets, and the process of obtaining financing from overseas markets.

In order to help our customers who intend to access to the overseas capital market, we have a team of experienced professionals who have professional knowledge of the listing rules and regulations of various capital markets. We will make full use of our expertise and resources in the capital markets to assist these customers to achieve their goals.

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Starting from the second quarter of 2018, through Portercity and Porter Commercial, we have been providing investment and corporate management consulting services to our clients, especially those who have the intention to be public listed in the stock exchanges in the United States and other countries. We categorize our consulting services into three phases:

- Phase I consulting services primarily include due diligence review, market research and feasibility study, business plan drafting, accounting record review, and business analysis and recommendations. We estimate that Phase I normally takes around three months to complete based on our past experiences.
- Phase II consulting services primarily include reorganization, pre-listing education and tutoring, talent search, legal and audit firm recommendation and coordination, VIE contracts and other public-listing related documents review, merger and acquisition planning, investor referral and pre-listing equity financing source identification and recommendation, independent directors and audit committee candidates recommendation. We estimate that Phase II normally takes about five months to complete based our past experiences.
- Phase III consulting services primarily include shell company identification and recommendation for customers expecting to become publicly listed through reverse merger transaction; assistance in preparation of customers' registration statement under IPO transactions or Form 8-K under reverse merger transactions; assistance in answering comments and questions received from regulatory agencies. We believe it is very difficult to estimate the timing of this phase of service as the completion of Phase III services is not within our control.

Each phase of consulting services is standalone and fees associated with each phase are usually clearly identified in service agreements. Revenue from providing Phase I and Phase II consulting services to customers is recognized ratably over the estimated completion period of each phase only when we have an enforceable right to payment for performance completed to date. Otherwise, such revenue is recognized at a point in time when services are delivered and accepted by customers. Revenue from providing Phase III consulting services to customers is recognized upon completion of reverse merger transaction or IPO transaction, which is evidenced by filing of an 8-K for reverse merger transaction or receipt of effective notice from regulatory agencies for IPO transactions. Revenue that has been billed and not yet recognized is reflected as deferred revenue on the consolidated balance sheets.

Depending on the complexity of the underlying service arrangement and related terms and conditions, significant judgments, assumptions and estimates may be required to determine when substantial delivery of contract elements has occurred, whether any significant ongoing obligations exist subsequent to contract execution, whether amounts due are collectible and the appropriate period or periods in which, or during which, the completion of the earnings process occurs. Depending on the magnitude of specific revenue arrangements, adjustment may be made to the judgments, assumptions and estimates regarding contracts executed in any specific period.

On June 28, 2018, Portercity and Mr. Zhibo Mao established Weifang Portercity in Weifang, Shandong Province, the PRC, with a registered capital of RMB1,000,000 (approximately \$146,000). Portercity and Mr. Zhibo Mao hold 60% and 40% equity interest in Weifang Portercity, respectively. Weifang Portercity is intended to be engaged in the business of providing various consulting services to its clients, especially to those who have the intention to be publicly listed in the stock exchanges in the United States and other countries. As of December 31, 2018, Weifang Portercity has not commenced operations.

Our Customers

Currently, through our VIE entity, Porter Consulting, we partner with China Payment, a third-party online payment service provider, to promote China Payment's online payment platform to companies and businesses in Shenzhen and in return share a portion of the processing fees earned by China Payment as commission.

In addition, Porter Consulting partners with Shenzhen Tongfu, a third-party online payment service provider, under which Porter Consulting agreed to promote Shenzhen Tongfu's online payment platform, including the Point of Sale (POS) system, to companies and businesses in China and in return obtain a certain amount of commission based on the volume of trading through such online payment platform.

Starting from the second quarter of 2018, through Portercity and Porter Commercial, we have been providing investment and corporate management consulting services to our clients, especially those who have the intention to be publicly listed in the stock exchanges in the United States and other countries. They are usually small and medium-sized enterprises based in China.

Our Intellectual Property





The following table illustrates the title of different software copyrights that our VIEs own, their certificate numbers, first publication dates, and certificate issuance dates. We regard our software copyrights important to our success and our competitive position. Using these software, our merchant clients can post and offer products to their customers over our online marketplace. In addition, such software will allow us to analyze online businesses' operational data and customers' consumption data and provide value-added data analysis services to our merchant customers to help them manage their business operations, sales channel and customer expansion.

Copyright Title	Owner	Certificate Number	First Publication Date	Issue Date
PT37B&M Online Trading System v.1.0	Shenzhen Porter Commercial Perspective Network Co., Ltd.	0175366	6-25-2009	10-23-2009
PT37 Bidding System v.1.0	Shenzhen Porter Commercial Perspective Network Co., Ltd.	0175372	6-20-2009	10-23-2009
PT37 Fuzzy and Precise Search System v.1.0	Shenzhen Porter Commercial Perspective Network Co., Ltd.	0175382	6-20-2009	10-23-2009
PT37 Enterprise/Individual E-Commerce Data Trading Bidding System v.1.0	Shenzhen Porter Commercial Perspective Network Co., Ltd.	0175385	6-20-2009	10-23-2009
PT37-IMIS Integrated Management Information System v. 2.0	Shenzhen Porter Commercial Perspective Network Co., Ltd.	0175388	7-1-2009	10-23-2009
PT37 Promotion Alliance System v.1.0	Shenzhen Porter Commercial Perspective Network Co., Ltd.	0175392	6-20-2009	10-23-2009
PT37 Group Purchase System v.1.0	Shenzhen Porter Commercial Perspective Network Co., Ltd.	0175397	6-20-2009	10-23-2009
PT37 Industry Trading System v.1.0	Shenzhen Porter Commercial Perspective Network Co., Ltd.	0182273	3-20-2009	11-27-2009
Porter AI Shopping Guide Robot System v. 1.0	Shenzhen Porter Commercial Perspective Network Co., Ltd.	0210023	11-17-2009	5-11-2010
Porter Payment System v.2.0	Shenzhen Porter Commercial Perspective Network Co., Ltd.	0201727	11-15-2009	3-24-2010

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PT37-IMIS Integrated Management Information System v. 1.0	Shenzhen Porter Commercial Perspective Network Co., Ltd.	0297943	3-10-2009	6-3-2011
PT37 Supermarket System v.1.0	Shenzhen Porter Commercial Perspective Network Co., Ltd.	0319110	12-30-2010	8-6-2011
PT37 Advertorial Publication System v.1.0	Shenzhen Porter Commercial Perspective Network Co., Ltd.	0319112	12-30-2010	8-6-2011
PT37 Cloud Intelligence System v.1.0	Shenzhen Porter Commercial Perspective Network Co., Ltd.	0319116	6-30-2010	8-6-2011
PT37 Special Area Gateway System v.1.0	Shenzhen Porter Commercial Perspective Network Co., Ltd.	0319118	12-30-2010	8-6-2011
PT37 Financing and Loan Automatic Selection System v.1.0	Shenzhen Porter Commercial Perspective Network Co., Ltd.	0319120	12-30-2010	8-6-2011
PT37 Porter Communication Platform System v.1.0	Shenzhen Porter Commercial Perspective Network Co., Ltd.	0319122	12-30-2010	8-6-2011
PT37Open Platform Software v.1.0	Shenzhen Porter Commercial Perspective Network Co., Ltd.	0319126	6-10-2010	8-6-2011
Porter Credit System Software v.1.0	Shenzhen Porter Commercial Perspective Network Co., Ltd.	0319128	6-10-2010	8-6-2011
PT37 Orienting Information System v.2.0	Shenzhen Porter Commercial Perspective Network Co., Ltd.	0319130	12-30-2010	8-6-2011
PT37 Green Online Purchase AI System v.2.0	Shenzhen Porter Commercial Perspective Network Co., Ltd.	0319132	12-30-2010	8-6-2011

We have also registered the following trademarks in China:

Mark	Registration Number	Description	Valid Period
波特	8329704	construction model	June 14, 2011-June 13, 2021
波特城	17735570	construction related	October 7, 2016- October 6, 2026
波特城	17735932	security and safeguard related	October 7, 2016- October 6, 2026
波特城	17737353	advertisement related	October 7, 2016- October 6, 2026
波特城	17737756	urban planning related	October 7, 2016- October 6, 2026
波特城	17737802	pledge and loan related	October 7, 2016- October 6, 2026
 波特 PORTER	8337584	advertisement related	July 7, 2011-July 6, 2021
 波特 PORTER	8337670	computer programming related	June 7, 2011-June 6, 2021
 波特 PORTER	8348071	advertisement related	July 7, 2011-July 6, 2021
 波特 PORTER	8348092	real estate related	August 7, 2011-August 6, 2021

We registered www.17yugo.com and www.pt37.com as our domain names on March 16, 2010 and September 16, 2008, respectively.

Our Competition

Our competitors in China include (i) major e-commerce companies, such as Alibaba Group, which operates taobao.com and tmall.com, and JD.com, Inc.; (2) major traditional brick and mortar shopping centers that aim to offer a one-stop shopping experience, such as Walmart China supercenters and Mixc malls. We believe that the principal competitive factors in our industry include network coverage, brand recognition and reputation, product quality, selection and pricing and quality of customer service. While many of our current or potential competitors have substantially greater financial and technical resources, longer operating histories and more established brand names and relationships than we do, we are confident that our business model will offer our customers one-stop services at a relatively low price and accordingly enhance our competitive position.

Regulation

Because all of our operating entities are located in the PRC, we are regulated by the national and local laws of the PRC. This section summarizes the major PRC regulations relating to our business.

The Telecommunications Regulations

The Telecommunications Regulations, promulgated by the PRC State Council on September 25, 2000 and amended on February 6, 2016, set out the general framework under which domestic Chinese companies such as the Company's PRC subsidiaries and VIEs may engage in various types of telecommunications services in the PRC. The regulations reiterate the long-standing principle that telecommunications service providers need to obtain operating licenses as a mandatory precondition to begin operation in this sector in China. The Chinese government restricts foreign investment in Internet-related businesses. Accordingly, we operate our Internet-related businesses in China through Portercity, our VIE operating in Shenzhen China.

Industry Catalogue Relating to Foreign Investment

The Guidance Catalogue of Industries for Foreign Investment, or the Catalogue, was promulgated and has been amended from time to time by the Ministry of Commerce and the National Development and Reform Commission. In Catalogue, Industries for foreign investment are divided into three categories: encouraged, restricted and prohibited. Establishment of wholly foreign-owned enterprises is generally allowed in encouraged industries. Some restricted industries are limited to equity or contractual joint ventures, while in some cases Chinese partners are required to hold the majority interests in such joint ventures. In addition, restricted category projects are subject to higher-level government approvals. Foreign investors are not allowed to invest in industries in the prohibited category. Industries not listed in the Catalogue are generally open to foreign investment unless specifically restricted by other PRC regulations.

Through our subsidiaries and VIEs, we are engaged in certain industries that are classified as “restricted” or “prohibited” under the Catalogue. Pursuant to the latest Catalogue amended in March 2015, the provision of value-added telecommunications services falls in the restricted category and the percentage of foreign ownership cannot exceed 50% (excluding e-commerce).

Under PRC law, the establishment of a wholly foreign owned enterprise is subject to the approval of the Ministry of Commerce or its local counterparts and the wholly foreign owned enterprise must register with the competent industry and commerce bureau.

Foreign Investment in Value-Added Telecommunications Businesses

The Regulations for Administration of Foreign-invested Telecommunications Enterprises promulgated by the PRC State Council in December 2001 and subsequently amended in February 2016 set forth detailed requirements with respect to capitalization, investor qualifications and application procedures in connection with the establishment of a foreign-invested telecommunications enterprise. These regulations prohibit a foreign entity from owning more than 50% of the total equity interest in any value-added telecommunications service business in China and require the major foreign investor in any value-added telecommunications service business in China have a good and profitable record and operating experience in this industry.

The Measures for the Administration of Internet Information Services

The governing law for Internet information service is the Measures for the Administration of Internet Information Services, or the Internet Content Provider (“ICP”) Measures, which went into effect on September 25, 2000. Under the ICP Measures, any entity that provides information to online Internet users must obtain an operating license from Ministry of Industry and Information Technology (“MIIT”) or its local branch at the provincial level in accordance with the Telecom Regulations described above.

The ICP Measures further stipulate that entities providing online information services in areas of news, publishing, education, medicine, health, pharmaceuticals and medical equipment must obtain permission from responsible national authorities prior to applying for an operating license from MIIT or its local branch at the provincial or municipal level. Moreover, ICPs must display their operating license numbers in a conspicuous location on their websites. ICPs must police their websites to remove categories of harmful content that are broadly defined. Currently, our VIE, Portercity holds an ICP license which was issued on March 7, 2014, expiring on March 7, 2019. We are currently in the process of renewing our ICP license.

Online Privacy

Chinese law does not prohibit internet service providers from collecting and analyzing personal information from their users if the users agree to do so. The PRC government, however, has the power and authority to order internet service providers to submit personal information of an internet user if such user posts any prohibited content or engages in illegal activities on the internet.

Under the Several Provisions on Regulating the Market Order of Internet Information Services (“Order”) promulgated by the MIIT which became effective on March 15, 2012, internet service providers may not, without a user’s consent, collect the user’s personal information that can be used, alone or in combination with other information, to identify the user, and may not provide any user’s personal information to third parties without the prior consent of the user. Internet service providers may only collect users’ personal information necessary to provide their services and must expressly inform the users of the method, scope and purpose of the collection and processing of such information. They are also required to ensure the proper security of users’ personal information, and take immediate remedial measures if such information is suspected to have been inappropriately disclosed. When a User registers to our application, we require our users to accept a user agreement whereby they agree to provide certain personal information to us. We will take other measures as necessary to comply with these provisions.

ICPs are also required to establish and publish their rules relating to personal information collection or use, keep any collected information strictly confidential, and take technological and other measures to maintain the security of such information. ICP operators are required to cease any collection or use of the user personal information, and de-register the relevant user account, when a given user stops using the relevant Internet service. ICP operators are further prohibited from divulging, distorting or destroying any such personal information, or selling or providing such information unlawfully to other parties. In addition, if an ICP operator appoints an agent to undertake any marketing and technical services that involve the collection or use of personal information, the ICP operator is still required to supervise and manage the protection of the information. As to penalties, in very broad terms, the Order states that violators may face warnings, fines, and disclosure to the public and, in most severe cases, criminal liability.

Foreign Currency Exchange

Under the Foreign Currency Administration Rules promulgated in 1996 and revised in 1997, and various regulations issued by state administration of foreign exchange (SAFE) and other relevant PRC government authorities, RMB is convertible into other currencies without prior approval from SAFE only to the extent of current account items, such as trade related receipts and payments, interest and dividends and after complying with certain procedural requirements. The conversion of RMB into other currencies and remittance of the converted foreign currency outside PRC for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from SAFE or its local office. Payments for transactions that take place within China must be made in RMB. Unless otherwise approved, PRC companies must repatriate foreign currency payments received from abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks subject to a cap set by SAFE or its local office. Unless otherwise approved, domestic enterprises must convert all of their foreign currency proceeds into RMB.

On October 21, 2005, SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies, which became effective as of November 1, 2005. According to the notice, a special purpose company, or SPV, refers to an offshore company established or indirectly controlled by PRC residents for the special purpose of carrying out financing of their assets or equity interest in PRC domestic enterprises. Prior to establishing or assuming control of an SPV, each PRC resident, whether a natural or legal person, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch. The notice applies retroactively. As a result, PRC residents who have established or acquired control of these SPVs that previously made onshore investments in China were required to complete the relevant overseas investment foreign exchange registration procedures by March 31, 2006. These PRC residents must also amend the registration with the relevant SAFE branch in the following circumstances: (i) the PRC residents have completed the injection of equity investment or assets of a domestic company into the SPV; (ii) the overseas funding of the SPV has been completed; (iii) there is a material change in the capital of the SPV. Under the rules, failure to comply with the foreign exchange registration procedures may result in restrictions being imposed on the foreign exchange activities of the violator, including restrictions on the payment of dividends and other distributions to its offshore parent company, and may also subject the violators to penalties under the PRC foreign exchange administration regulations.

On August 29, 2008, SAFE promulgated Circular 142 which regulates the conversion by a foreign-funded enterprise of foreign currency into RMB by restricting how the converted RMB may be used. In addition, SAFE promulgated Circular 45 on November 9, 2011 in order to clarify the application of Circular 142. Under Circular 142 and Circular 45, the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable government authority and may not be used for equity investments within the PRC. In addition, SAFE strengthened its oversight of the flow and use of the RMB capital converted from foreign currency registered capital of foreign-invested enterprises. The use of such RMB capital may not be changed without SAFE's approval, and such RMB capital may not in any case be used to repay RMB loans if the proceeds of such loans have not been used. Violations of Circular 142 and Circular 45 could result in severe penalties, such as heavy fines as set out in the relevant foreign exchange control regulations. On July 4, 2014, SAFE promulgated SAFE Circular 36, which launched a pilot reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises in certain designated areas from August 4, 2014. However, SAFE Circular 36 continues to prohibit foreign-invested enterprises from directly or indirectly using the Renminbi converted from their foreign exchange capitals for purposes beyond its business scope. On March 30, 2015, SAFE promulgated Circular 19, to expand the reform nationwide. Circular 19 will come into force and replace both Circular 142 and Circular 36 on June 1, 2015. Circular 36 allows enterprises established within the pilot areas to use their foreign exchange capitals to make equity investment and removes certain other restrictions provided under Circular 142 for these enterprises. Circular 19 will remove those restrictions for all foreign-invested enterprises established in the PRC. However, both Circular 36 and Circular 19 continue to prohibit foreign-invested enterprises from, among other things, using the Renminbi fund converted from its foreign exchange capitals for expenditure beyond its business scope, providing entrusted loans or repaying loans between non-financial enterprises.

Dividend Distributions

Under applicable PRC regulations, foreign invested enterprises (FIEs) in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a FIE in China is required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves until the accumulative amount of such reserves reach 50% of its registered capital. These reserves are not distributable as cash dividends. The board of directors of a FIE has the discretion to allocate a portion of its after-tax profits to staff welfare and bonus funds, which may not be distributed to equity owners except in the event of liquidation.

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After-tax profits/losses with respect to the payment of dividends out of accumulated profits and the annual appropriation of after-tax profits as calculated pursuant to PRC accounting standards and regulations do not result in significant differences as compared to after-tax earnings as presented in our financial statements. However, there are certain differences between PRC accounting standards and regulations and U.S. generally accepted accounting principles, arising from different treatment of items such as amortization of intangible assets and change in fair value of contingent consideration arising from business combinations.

In addition, under the enterprise income tax (EIT) Law, the Notice of the State Administration of Taxation on Negotiated Reduction of Dividends and Interest Rates, which was issued on January 29, 2008, the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion, which became effective on December 8, 2006, and the Notice of the State Administration of Taxation Regarding Interpretation and Recognition of Beneficial Owners under Tax Treaties, which became effective on October 27, 2009, dividends from our PRC operating subsidiaries paid to us through our Hong Kong subsidiary may be subject to a withholding tax at a rate of 10%, or at a rate of 5% if our Hong Kong subsidiary is considered a “beneficial owner” that is generally engaged in substantial business activities and entitled to treaty benefits under the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion.

Laws and Regulations Related to Employment and Labor Protection

On June 29, 2007, the National People’s Congress promulgated the Employment Contract Law of PRC (“Employment Contract Law”), which became effective as of January 1, 2008 and amended on December 28, 2012. The Employment Contract Law requires employers to provide written contracts to their employees, restricts the use of temporary workers and aims to give employees long-term job security.

Pursuant to the Employment Contract Law, employment contracts lawfully concluded prior to the implementation of the Employment Contract Law and continuing as of the date of its implementation shall continue to be performed. Where an employment relationship was established prior to the implementation of the Employment Contract Law but no written employment contract was concluded, a contract must be concluded within one month after its implementation.

On September 18, 2008, the State Council promulgated the Implementing Regulations for the PRC Employment Contract Law which came into effect immediately. These regulations interpret and supplement the provisions of the Employment Contract Law.

Our standard employment contract complies with the requirements of the Employment Contract Law and its implementing regulations. We have entered into written employment contracts with all of our employees.

Employees

As of December 31, 2018, we had a total of 63 employees, all of whom are full-time employees. The following table sets forth the number of our full-time employees by function.

Function	Number of Employees
Finance	5
Sales and Marketing	23
IT and Engineering	16
General and Administrative	19
Total	63

Our employees are not represented by a labor organization or covered by a collective bargaining agreement. We have not experienced any work stoppages. We believe we maintain good relations with our employees.

Available Information

We make available free of charge, on or through our website, <http://www.cnporter.com/index.html>, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and other filings pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and amendments to such filings, as soon as reasonably practicable after each is electronically filed with, or furnished to, the SEC. The SEC maintains a website that contains our reports, proxy and information statements, and our other SEC filings. The address of the SEC’s website is www.sec.gov. Information appearing on our website is not part of any report that we file with the SEC.

ITEM 1A. RISK FACTORS.

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below, together with all of the other information included in this report, before making an investment decision. If any of the following risks actually occurs, our business, financial condition or results of operations could suffer. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment. You should read the section entitled "Special Notes Regarding Forward-Looking Statements" above for a discussion of what types of statements are forward-looking statements, as well as the significance of such statements in the context of this report.

Risks Related to Our Business

As the Company has working capital deficiency and accumulated deficit, there is substantial doubt about our ability to continue as a going concern.

Our consolidated financial statements included in this report include an explanatory paragraph that indicates that they were prepared assuming that we would continue as a going concern. As discussed in Note 2 to the consolidated financial statements included with this report, we had a working capital deficiency, accumulated deficit from recurring net losses incurred for the current and prior years as of December 31, 2018. These conditions raise substantial doubt about our ability to continue as a going concern. The ability to continue as a going concern is dependent upon generating profitable operations in the future and/or obtaining the necessary financing to meet our obligations and repay our liabilities arising from normal business operations when they become due. There can be no assurance that we will be successful in its plans described above or in attracting equity or alternative financing on acceptable terms, or if at all. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern.

We have identified material weaknesses in our internal control over financial reporting. If we fail to remediate the material weaknesses or maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud, and investor confidence and the market price of our shares may be adversely affected.

To implement Section 404 of the Sarbanes-Oxley Act of 2002, or SOX 404, the SEC adopted rules requiring public companies to include a report of management on the company's internal control over financial reporting in their annual reports on Form 10-K. Under current law, we are subject to the requirement that we maintain internal controls and that management perform periodic evaluation of the effectiveness of the internal controls, assuming our filing status remains as a smaller reporting company. A report of our management is included under Item 9A of this Annual Report on Form 10-K. Our management has identified the following material weaknesses in our internal control over financial reporting:

- (1) We did not hold any formal board meetings or shareholders meetings during the last fiscal year;
- (2) We do not have an audit committee;
- (3) We do not have sufficient and skilled accounting personnel with an appropriate level of technical accounting knowledge and experience in the application of accounting principles generally accepted in the United States commensurate with our financial reporting requirements;
- (4) We do not have appropriate policies and procedures in place to evaluate the proper accounting and disclosures of key documents and agreements of revenue process;
- (5) We have not maintained sufficient internal controls over cash related controls, including failure to segregate cash handling and accounting functions and did not require dual signature on the Company's bank accounts. Alternatively, the effects of poor cash controls were mitigated by the fact that we had limited transactions in our bank accounts; and
- (6) We retain copies of all financial data and material agreements; however there is no formal procedure or evidence of normal backup of our data or off-site storage of data in the event of theft, misplacement, or loss due to unmitigated factors. We did not implement appropriate information technology controls.

A “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. We have taken measures and plan to continue to take measures to remedy this material weakness. However, the implementation of these measures may not fully address the material weakness in our internal control over financial reporting. Our failure to address any control deficiency could result in inaccuracies in our financial statements and could also impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. Moreover, effective internal control over financial reporting is important to prevent fraud. As a result, our business, financial condition, results of operations and prospects, as well as the trading price of our shares, may be materially and adversely affected.

Our business plan is based on a relatively new model that may not be successful and we may not successfully implement our business strategies.

Our business plan has not been examined or tested by the market. Our products and services are targeted at an emerging market and any potential increase in our revenues depends on the achievement by our current and future clients, which is a new market in the region. In addition, we cannot guarantee the full and successful implementation of our business strategies. To ensure the successful reception of our products and services by a large number of consumer manufacturing entities in China, great efforts must be made in promotion and business partner development. However, we cannot guarantee successful promotion of our products and services and we may not be able to realize our business goals.

We may incur losses in the future, and may not be able to return to profitability, which may cause the market price of our shares to decline.

We incurred a net profit of \$1.4 million in 2018 and net loss of \$1.5 million in 2017. We did not earn any revenue until we acquired Porter Consulting towards the end of fiscal 2016. Our ability to achieve profitability, therefore, depends on the competitiveness of our future products and services as well as our ability to control costs and to provide new products and services to meet the market demands and attract new customers. Due to the numerous risks and uncertainties associated with the development of our business, we cannot guarantee that we may be able to achieve profitability in the short-term or long-term.

Our results of operations and cash flows may fluctuate due to the non-recurring nature of our going public consulting services provided to our clients.

We generated the bulk of our total revenues from going public consulting services provided to small and medium-sized enterprises in China. Unlike other service businesses that have the potential of retaining their clients for long-term and recurring services, our consulting contractual relationships with our clients usually last for 12 months and there is no recurring business from our clients once they become public companies. Therefore, we face the constant challenge of identifying and recruiting new clients in order to maintain our operations and cash flows, which are difficult for us to predict from year to year.

In addition, even though we screen our prospective clients carefully before entering into service agreements, occasionally we have to discontinue our consulting services due to a variety of unforeseeable reasons such as the client's shortage in funds, disagreements regarding the going public process, changes in the client's business and expectations, among others. Due to the fact that our consulting fee is paid on installments, we will not be able to realize the complete contracted amounts under these circumstances, without getting into potentially costly litigations.

If we fail to hire, train and retain qualified managerial and other employees, our business and results of operations could be materially and adversely affected.

We place substantial reliance on the consulting and financial service industry experience and knowledge of our senior management team as well as their relationships with other industry participants. The loss of the services of one or more members of our senior management could hinder our ability to effectively manage our business and implement our growth strategies. Finding suitable replacements for our current senior management could be difficult, and competition for such personnel of similar experience is intense. If we fail to retain our senior management, our business and results of operations could be materially and adversely affected.

Our consulting service personnel are critical to maintaining the quality and consistency of our services, brand and reputation. It is important for us to attract qualified managerial and other employees who have experience in consulting services and are committed to our service approach. There may be a limited supply of such qualified individuals. We must hire and train qualified managerial and other employees on a timely basis to keep pace with our rapid growth while maintaining consistent quality of services across our operations. We must also provide continuous training to our managerial and other employees so that they are equipped with up-to-date knowledge of various aspects of our operations and can meet our demand for high-quality services. If we fail to do so, the quality of our services may decrease, which in turn, may cause a negative perception of our brand and adversely affect our business.

The proper functioning of our online platforms is essential to our business. Any failure to maintain the satisfactory performance of our websites could materially and adversely affect our business and reputation.

The satisfactory performance, reliability and availability of our online platforms are critical to our future success and our ability to attract and retain future customers and provide quality customer service. Any system interruptions caused by telecommunications failures, computer viruses, hacking or other attempts to harm our systems that result in the unavailability or slowdown of our website or reduced order fulfillment performance could adversely affect the daily operations of our business. Our servers may also be vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to system interruptions, website slowdown or unavailability, delays or errors in transaction processing, loss of data or the inability to accept and fulfill customer orders. Security breaches, computer viruses and hacking attacks have become more prevalent in our industry. We can provide no assurance that our current security mechanisms will be sufficient to protect our IT systems from any third-party intrusions, viruses or hacker attacks, information or data theft or other similar activities. Any such future occurrences could reduce customer satisfaction, damage our reputation and result in a material decrease in our revenue.

We are exposed to potential liability for information on our websites and for products and services sold through our websites and we may incur significant costs and damage to our reputation as a result of defending against such potential liability.

We provide third-party content on our websites such as their products, links to third-party websites, advertisements and content provided by customers and users of our O2O platforms. We could be exposed to liability with respect to such third-party information. Among other things, we may face assertions that, by directly or indirectly providing such third-party content or links to other websites, we should be liable for defamation, negligence, copyright or trademark infringement, or other actions by parties providing such content or operating those websites. We may also face assertions that content on our websites, including statistics or other data we compile internally, or information contained in websites linked to our websites contains false information, errors or omissions, and users and our customers could seek damages for losses incurred as a result of their reliance upon or otherwise relating to incorrect information. We may also be subject to fines and other sanctions by the government for such incorrect information. Moreover, our relevant consolidated controlled entities, as Internet advertising service providers, are obligated under PRC laws and regulations to monitor the advertising content shown on our websites for compliance with applicable law. Violation of applicable law may result in penalties, including fines, confiscation of advertising fees, orders to cease dissemination of the offending advertisements and orders to publish advertisements correcting the misleading information. In case of serious violations, the PRC authorities may revoke the offending entities' advertising licenses and/or business licenses. In addition, our websites could be used as a platform for fraudulent transactions and third party products and services sold through our websites and mobile apps may be defective. The measures we take to guard against liability for third-party content, information, products and services may not be adequate to exonerate us from relevant civil and other liabilities.

Any such claims, with or without merit, could be time-consuming to defend and result in litigation and significant diversion of management's attention and resources. Even if these claims do not result in liability to us, we could incur significant costs in investigating and defending against these claims and suffer damage to our reputation.

Regulation of the Internet industry in China, including censorship of information distributed over the Internet, may materially and adversely affect our business.

China has enacted laws, rules and regulations governing Internet access and the distribution of news, information or other content, as well as products and services, through the Internet. In the past, the PRC government has prohibited the distribution of information through the Internet that it deems to be in violation of applicable PRC laws, rules and regulations. In particular, under regulations promulgated by the State Council, the MIIT, the General Administration of Press and Publication (formerly the State Press and Publications Administration) and the Ministry of Culture, Internet content providers and Internet publishers are prohibited from posting or displaying content over the Internet that, among other things: (1) opposes the fundamental principles of the PRC constitution, (2) compromises state security, divulges state secrets, subverts state power or damages national unity, (3) disseminates rumors, disturbs social order or disrupts social stability, (4) propagates obscenity, pornography, gambling, violence, murder or fear or incites the commission of crimes, or (5) insults or slanders a third party or infringes upon the lawful right of a third party.

If any Internet content we offer through our consolidated controlled entities were deemed by the PRC government to violate any of such content restrictions, we would not be able to continue such offerings and could be subject to penalties, including confiscation of illegal revenues, fines, suspension of business and revocation of required licenses, which could have a material adverse effect on our business, financial condition and results of operations. We may also be subject to potential liability for any unlawful actions of our customers or affiliates or for content we distribute that is deemed inappropriate. It may be difficult to determine the type of content that may result in liability to us, and if we are found to be liable, we may be forced to cease operation of our websites in China.

We may not be able to manage our expansion of operations effectively.

We are in the process of developing our business in order to meet the potentially increasing demand for our future products and services, as well as capture new market opportunities. As we continue to grow, we must continue to improve our operational and financial systems, procedures and controls, increase service capacity and output, and expand, train and manage our growing employee base. In order to fund our on-going operations and our future growth, we need to have sufficient internal sources of liquidity or access to additional financing from external sources. Furthermore, our management will be required to maintain and strengthen our relationships with our customers and other third parties. Currently, we only have 51 employees. As a result, our continued expansion has placed, and will continue to place, significant strains on our management personnel, systems and resources. We also will need to further strengthen our internal control and compliance functions to ensure that we will be able to comply with our legal and contractual obligations and minimize our operational and compliance risks. Our current and planned operations, personnel, systems, internal procedures and controls may not be adequate to support our future growth. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, execute our business strategies or respond to competitive pressures.

We depend heavily on key personnel, and turnover of key employees and senior management could harm our business.

Our future business and results of operations depend in significant part upon the continued contributions of our key technical and senior management personnel, including Zonghua Chen, our Chairman, Chief Executive Officer and Chief Financial Officer. They also depend in significant part upon our ability to attract and retain additional qualified management, technical, marketing and sales and support personnel for our operations. If we lose a key employee or if a key employee fails to perform in his or her current position, or if we are not able to attract and retain skilled employees as needed, our business could suffer. Significant turnover in our senior management could significantly deplete our institutional knowledge held by our existing senior management team. We depend on the skills and abilities of these key employees in managing the technical, marketing and sales aspects of our business, any part of which could be harmed by further turnover.

Our holding company structure may limit the payment of dividends.

We have no direct business operations, other than our ownership of our subsidiaries. While we have no current intention of paying dividends, should we decide in the future to do so, as a holding company, our ability to pay dividends and meet other obligations depends upon the receipt of dividends or other payments from our operating subsidiaries and other holdings and investment. In addition, our operating subsidiaries, from time to time, may be subject to restrictions on their ability to make distributions to us, including as a result of restrictive covenants in loan agreements, restrictions on the conversion of local currency into U.S. dollars or other hard currency and other regulatory restrictions as discussed below. If future dividends are paid in RMB, fluctuations in the exchange rate for the conversion of RMB into U.S. dollars may reduce the amount received by U.S. stockholders upon conversion of the dividend payment into U.S. dollars.

Chinese regulations currently permit the payment of dividends only out of accumulated profits as determined in accordance with Chinese accounting standards and regulations. Our subsidiaries in China are also required to set aside a portion of their after tax profits according to Chinese accounting standards and regulations to fund certain reserve funds. Currently, our subsidiaries in China are the only sources of revenues or investment holdings for the payment of dividends. If they do not accumulate sufficient profits under Chinese accounting standards and regulations to first fund certain reserve funds as required by Chinese accounting standards, we will be unable to pay any dividends.

After-tax profits/losses with respect to the payment of dividends out of accumulated profits and the annual appropriation of after-tax profits as calculated pursuant to PRC accounting standards and regulations do not result in significant differences as compared to after-tax earnings as presented in our financial statements. However, there are certain differences between PRC accounting standards and regulations and U.S. GAAP, arising from different treatment of items such as amortization of intangible assets and change in fair value of contingent consideration arising from business combinations.

Risks Relating to our Commercial Relationship with VIEs

Mr. Zonghua Chen's association with VIEs could pose a conflict of interest which may result in VIEs decisions that are adverse to our business.

Mr. Zonghua Chen, our Chairman, President, Chief Executive Officer, Chief Financial Officer and the beneficial owner of 5.9% of our outstanding Common Stock owns 40% of the equity interests in Portercity and its wholly owned subsidiaries, from whom we derived all of our revenue in the fiscal year ended December 31, 2018, pursuant to the Contractual Arrangements. As a result, conflicts of interest may arise from time to time and these conflicts may result in management decisions that could negatively affect our operations and potentially result in the loss of opportunities.

PRC laws and regulations governing our businesses and the validity of certain of our Contractual Arrangements are uncertain. If we are found to be in violation of such PRC laws and regulations, our business may be negatively affected and we may be forced to relinquish our interests in those operations.

PRC laws and regulations prohibit or restrict foreign ownership of companies that operate Internet information and content, Internet access, online games, mobile, value added telecommunications and certain other businesses in which we are engaged or could be deemed to be engaged. Consequently, we conduct certain of our operations and businesses in the PRC through our VIEs. All our revenue is generated by contractually controlled and managed entity, Portercity, and its wholly owned subsidiaries.

The Contractual Arrangements give us effective control over Portercity, and its wholly owned subsidiaries and enable us to obtain substantially all of the economic benefits arising from it as well as consolidate their financial results in our results of operations. Although the structure we have adopted is consistent with longstanding industry practice, and is commonly adopted by comparable companies in China, the PRC government may not agree that these arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future.

In the opinion of Guang Dong LianRui Law Firm, our PRC counsel, the ownership structures of our wholly-foreign owned enterprise and our VIEs in China do not and will not violate any applicable PRC law, regulation or rule currently in effect; and the contractual arrangements between our material wholly-foreign owned enterprise, our material variable interest entity and their respective equity holders governed by PRC law are valid, binding and enforceable in accordance with their terms and applicable PRC laws and regulations currently in effect and will not violate any applicable PRC law, rule or regulation currently in effect. However, Guang Dong LianRui Law Firm has also advised us that there are substantial uncertainties regarding the interpretation and application of current PRC laws, rules and regulations. Accordingly, the PRC regulatory authorities and PRC courts may in the future take a view that is contrary to the opinion of our PRC legal counsel.

Our Company, PGL, PPBGL and Qianhai Porter are considered foreign investors or foreign invested enterprises under PRC law. As a result, Uni Line Corp., PGL, PPBGL and Qianhai Porter are subject to certain limitations under PRC law on foreign ownership of Chinese companies. These laws and regulations are relatively new and may be subject to change, and their official interpretation and enforcement may involve substantial uncertainty. The effectiveness of newly enacted laws, regulations or amendments may be delayed, resulting in detrimental reliance by foreign investors. New laws and regulations that affect existing and proposed future businesses may also be applied retroactively.

The PRC government has broad discretion in dealing with violations of laws and regulations, including levying fines, revoking business and other licenses and requiring actions necessary for compliance. In particular, licenses and permits issued or granted to us by relevant governmental bodies may be revoked at a later time by higher regulatory bodies. We cannot predict the effect of the interpretation of existing or new PRC laws or regulations on our businesses. We cannot assure you that our current ownership and operating structure would not be found in violation of any current or future PRC laws or regulations. As a result, we may be subject to sanctions, including fines, and could be required to restructure our operations or cease to provide certain services. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. If the imposition of any of these government actions causes us to lose our right to direct the activities of any of our VIEs or otherwise separate from them and if we are not able to restructure our ownership structure and operations in a satisfactory manner, we would no longer be able to consolidate the financial results of our VIEs in our consolidated financial statements. Any of these or similar actions could significantly disrupt our business operations or restrict us from conducting a substantial portion of our business operations, which could materially and adversely affect our business, financial condition and results of operations.

Our arrangements with the VIEs and their shareholders may be subject to scrutiny by the PRC tax authorities. Any adjustment of related party transaction pricing could lead to additional taxes, and therefore which could have an adverse effect on our income and expenses.

The tax regime in China is rapidly evolving and there is significant uncertainty for taxpayers in China as PRC tax laws may be interpreted in significantly different ways. The PRC tax authorities may assert that we or our subsidiaries or VIEs or their equity holders owe and/or are required to pay additional taxes on previous or future revenue or income. In particular, under applicable PRC laws, rules and regulations, arrangements and transactions among related parties, such as the contractual arrangements with our VIEs, may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that our agreements with the VIEs and their shareholders were not entered into based on arm's length negotiations. As a result, they may adjust our income and expenses for PRC tax purposes in the form of a transfer pricing adjustment. Such an adjustment may require that we pay additional PRC taxes plus applicable penalties and interest, if any.

Substantial uncertainties exist with respect to the interpretation and implementation of the newly enacted PRC Foreign Investment Law, which may materially impact the viability of our current corporate structure.

On March 15, 2019, the National People's Congress approved the Foreign Investment Law, which will come into effect on January 1, 2020 and replace the existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. However, since it is relatively new, uncertainties still exist in relation to its interpretation and implementation. For instance, the Foreign Investment Law has a catch-all provision under the definition of "foreign investment" which includes investments made by foreign investors in China through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Though the Foreign Investment Law does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangement would not be interpreted as a type of indirect foreign investment activities under the definition in the future. The State Council may in the future promulgate laws and regulations that deem investments made by foreign investors through contractual arrangements as "foreign investment," and our VIE contractual arrangements may be subject to and be deemed to violate the market entry requirements in China. Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to existing VIE contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure and business operations.

Our contractual arrangements may not be as effective in providing control over the variable interest entities as direct ownership.

We rely on contractual arrangements with our VIEs to operate our electronic platform in China and other businesses in which foreign investment is restricted or prohibited. These contractual arrangements may not be as effective as direct ownership in providing us with control over our VIEs.

If we had direct ownership of the VIEs, we would be able to exercise our rights as an equity holder directly to effect changes in the boards of directors of the entity, which could effect changes at the management and operational level. Under our contractual arrangements, we would be able to change the members of the boards of directors of the entity only by exclusively exercising the equity holders' voting rights and would have to rely on the variable interest entity and the variable interest entity equity holders to perform their obligations in the contractual arrangements in order to exercise our control over the variable interest entity. The variable interest entity equity holders may have conflicts of interest with us or our shareholders, and they may not act in the best interests of our company or may not perform their obligations under these contracts. For example, our VIEs and their equity holders could breach their contractual arrangements with us by, among other things, failing to conduct their operations, including maintaining our website and using our domain names and trademarks which the relevant variable interest entity has exclusive rights to use, in an acceptable manner or taking other actions that are detrimental to our interests. Pursuant to the call option, we may replace the equity holders of the VIEs at any time pursuant to the contractual arrangements. However, if any equity holder is uncooperative and any dispute relating to these contracts or the replacement of the equity holders remains unresolved, we will have to enforce our rights under the contractual arrangements through the operations of PRC law and arbitral or judicial agencies, which may be costly and time-consuming and will be subject to uncertainties in the PRC legal system. See "Any failure by our VIEs or their equity holders to perform their obligations under the contractual arrangements would have a material adverse effect on our business, financial condition and results of operations." Consequently, the contractual arrangements may not be as effective in ensuring our control over the relevant portion of our business operations as direct ownership.

Any failure by our VIEs or their equity holders to perform their obligations under the contractual arrangements would have a material adverse effect on our business, financial condition and results of operations.

If our VIEs or their equity holders fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. Although we have entered into an option agreement in relation to our variable interest entity, which provides that we may exercise an option to acquire, or nominate a person to acquire, ownership of the equity in that entity or, in some cases, its assets, to the extent permitted by applicable PRC laws, rules and regulations, the exercise of the option is subject to the review and approval of the relevant PRC governmental authorities. We have also entered into an equity interest pledge agreement with respect to the variable interest entity to secure certain obligations of such VIEs or their equity holders to us under the contractual arrangements. However, the enforcement of such agreement through arbitral or judicial agencies may be costly and time-consuming and will be subject to uncertainties in the PRC legal system. Moreover, our remedies under the equity pledge agreement are primarily intended to help us collect debts owed to us by the variable interest entity equity holders under the contractual arrangements and may not help us in acquiring the assets or equity of the variable interest entity.

The contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration or court proceedings in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is not as developed as in some other jurisdictions, such as the United States. Moreover, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law, and as a result it may be difficult to predict how an arbitration panel or court would view such contractual arrangements. As a result, uncertainties in the PRC legal system could limit our ability to enforce the contractual arrangements. Under PRC law, if the losing parties fail to carry out the arbitration awards or court judgments within a prescribed time limit, the prevailing parties may only enforce the arbitration awards or court judgments in PRC courts, which would require additional expense and delay. In the event we are unable to enforce the contractual arrangements, we may not be able to exert effective control over the variable interest entities, and our ability to conduct our business, as well as our financial condition and results of operations, may be materially and adversely affected.

We may lose the ability to use, or otherwise benefit from, the ICP license held by our VIEs, which could severely disrupt our business, render us unable to conduct some or all of our business operations and constrain our growth.

Our VIE, Portercity, holds an ICP license that is necessary for our business operations, to which foreign investments are typically restricted or prohibited under applicable PRC law. The contractual arrangements contain terms that specifically obligate variable interest entity equity holders to ensure the valid existence of the variable interest entities and restrict the disposal of material assets of the variable interest entities. However, in the event the variable interest entity equity holders breach the terms of these contractual arrangements and voluntarily liquidate any of our VIEs or any of our VIEs declares bankruptcy and all or part of its assets become subject to liens or rights of third-party creditors, or are otherwise disposed of without our consent, we may be unable to conduct some or all of our business operations or otherwise benefit from the assets held by the variable interest entity, which could have a material adverse effect on our business, financial condition and results of operations. Furthermore, if our variable interest entity undergoes a voluntary or involuntary liquidation proceeding, its equity holders or unrelated third-party creditors may claim rights to some or all of the assets of such variable interest entity, thereby hindering our ability to operate our business as well as constrain our growth.

Risk Related to Doing Business in China

Changes in the economic and political policies of the PRC government could have a material and adverse effect on our business and operations.

We conduct substantially all our business operations in China. Accordingly, our results of operations, financial condition and prospects are significantly dependent on economic and political developments in China. China's economy differs from the economies of developed countries in many aspects, including the level of development, growth rate and degree of government control over foreign exchange and allocation of resources. While China's economy has experienced significant growth in the past 30 years, the growth has been uneven across different regions and periods and among various economic sectors in China. We cannot assure you that China's economy will continue to grow, or that if there is growth, such growth will be steady and uniform, or that if there is a slowdown, such slowdown will not have a negative effect on its business and results of operations.

The PRC government exercises significant control over China. Accordingly, our results of operations, financial condition and prospects are significantly dependent on economic and political developments in China. Certain measures adopted by the PRC government may restrict loans to certain industries, such as changes in the statutory deposit reserve ratio and lending guidelines for commercial banks by the People's Bank of China. These current and future government actions could materially affect our liquidity, access to capital, and ability to operate our business.

The global financial markets experienced significant disruptions in 2008 and the United States, Europe and other economies went into recession. Since 2012, growth of the Chinese economy has slowed down. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall PRC economy but may also have a negative effect on us. Our financial condition and results of operation could be materially and adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. In addition, any stimulus measures designed to boost the Chinese economy, may contribute to higher inflation, which could adversely affect our results of operations and financial condition. See "—Future inflation in China may inhibit our ability to conduct business in China."

Uncertainties with respect to the PRC legal system could limit the legal protections available to you and us.

We conduct substantially all of our business through our operating subsidiary and VIEs in the PRC. Our operating subsidiary and VIEs are generally subject to laws and regulations applicable to foreign investments in China and, in particular, laws applicable to FIEs. The PRC legal system is based on written statutes, and prior court decisions may be cited for reference but have limited precedential value. Since 1979, a series of new PRC laws and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, since the PRC legal system continues to evolve rapidly, the interpretations of many laws, regulations, and rules are not always uniform, and enforcement of these laws, regulations, and rules involve uncertainties, which may limit legal protections available to you and us. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. In addition, all of our executive officers and most of our directors are residents of China and not of the United States, and substantially all the assets of these persons are located outside the United States. As a result, it could be difficult for investors to affect service of process in the United States or to enforce a judgment obtained in the United States against our Chinese operations and subsidiaries.

You may have difficulty enforcing judgments against us.

Most of our assets are located outside of the United States and most of our current operations are conducted in the PRC. In addition, all of our directors and officers are nationals and residents of countries other than the United States. A substantial portion of the assets of these persons is located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon these persons. It may also be difficult for you to enforce in U.S. courts judgments on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors, most of whom are not residents in the United States and the substantial majority of whose assets are located outside of the United States. In addition, there is uncertainty as to whether the courts of the PRC would recognize or enforce judgments of U.S. courts. Our counsel as to PRC law has advised us that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. Courts in China may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based on treaties between China and the country where the judgment is made or on reciprocity between jurisdictions. China does not have any treaties or other arrangements that provide for the reciprocal recognition and enforcement of foreign judgments with the United States. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates basic principles of PRC law or national sovereignty, security, or the public interest. So, it is uncertain whether a PRC court would enforce a judgment rendered by a court in the United States.

The PRC government exerts substantial influence over the manner in which we must conduct our business activities.

The PRC government has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. Our ability to operate in China may be harmed by changes in its laws and regulations, including those relating to taxation, import and export tariffs, environmental regulations, land use rights, property, and other matters. We believe that our operations in China are in material compliance with all applicable legal and regulatory requirements. However, the central or local governments of the jurisdictions in which we operate may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations.

Accordingly, government actions in the future, including any decision not to continue to support recent economic reforms and to return to a more centrally planned economy or regional or local variations in the implementation of economic policies, could have a significant effect on economic conditions in China or particular regions thereof and could require us to divest ourselves of any interest we then hold in Chinese properties or joint ventures.

We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet-related businesses and companies, and any lack of requisite approvals, licenses or permits applicable to our business may have a material adverse effect on our business and results of operations.

The PRC government extensively regulates the internet industry, including foreign ownership of, and the licensing and permit requirements pertaining to, companies in the internet industry. These internet-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations.

We only have contractual control over our website. We do not directly own the website due to the restriction of foreign investment in businesses providing value-added telecommunication services in China, including internet information provision services. This may significantly disrupt our business, subject us to sanctions, compromise enforceability of related contractual arrangements, or have other harmful effects on us.

The evolving PRC regulatory system for the internet industry may lead to the establishment of new regulatory agencies. For example, in May 2011, the State Council announced the establishment of a new department, the State Internet Information Office (with the involvement of the State Council Information Office, the MITT, and the Ministry of Public Security). The primary role of this new agency is to facilitate the policy-making and legislative development in this field, to direct and coordinate with the relevant departments in connection with online content administration and to deal with cross-ministry regulatory matters in relation to the internet industry.

The interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, internet businesses in China, including our business. We cannot assure you that we have obtained all the permits or licenses required for conducting our business in China or will be able to maintain our existing licenses or obtain new ones. If the PRC government considers that we were operating without the proper approvals, licenses or permits or promulgates new laws and regulations that require additional approvals or licenses or imposes additional restrictions on the operation of any part of our business, it has the power, among other things, to levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these actions by the PRC government may have a material adverse effect on our business and results of operations.

The enforcement of the PRC labor contract law may materially increase our costs and decrease our net income.

China adopted a new Labor Contract Law, effective on January 1, 2008, and issued its implementation rules, effective on September 18, 2008. The Labor Contract Law and related rules and regulations impose more stringent requirements on employers with regard to, among others, minimum wages, severance payment and non-fixed-term employment contracts, time limits for probation periods, as well as the duration and the times that an employee can be placed on a fixed-term employment contract. Due to the limited period of effectiveness of the Labor Contract Law and its implementation rules and regulations, and the lack of clarity with respect to their implementation and potential penalties and fines, it is uncertain how they will impact our current employment policies and practices. In particular, compliance with the Labor Contract Law and its implementation rules and regulations may increase our operating expenses. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules and regulations may also limit our ability to effect those changes in a manner that we believe to be cost-effective or desirable, and could result in a material decrease in our profitability.

Future inflation in China may inhibit our ability to conduct business in China.

In recent years, the Chinese economy has experienced periods of rapid expansion and highly fluctuating rates of inflation. During the past ten years, the rate of inflation in China has been as high as 5.9% and as low as -0.8%. These factors have led to the adoption by the Chinese government, from time to time, of various corrective measures designed to restrict the availability of credit or regulate growth and contain inflation. High inflation may in the future cause the Chinese government to impose controls on credit and/or prices, or to take other action, which could inhibit economic activity in China, and thereby harm the market for our products and our company.

Restrictions on currency exchange may limit our ability to receive and use our revenues effectively.

Currently, all of our revenues are settled in RMB, and any future restrictions on currency exchanges may limit our ability to use revenue generated in RMB to fund any future business activities outside China or to make dividend or other payments in U.S. dollars. Although the Chinese government introduced regulations in 1996 to allow greater convertibility of the RMB for current account transactions, significant restrictions still remain, including primarily the restriction that FIEs may only buy, sell or remit foreign currencies after providing valid commercial documents, at those banks in China authorized to conduct foreign exchange business. In addition, conversion of RMB for capital account items, including direct investment and loans, is subject to governmental approval in China, and companies are required to open and maintain separate foreign exchange accounts for capital account items. We cannot be certain that the Chinese regulatory authorities will not impose more stringent restrictions on the convertibility of the RMB.

Fluctuations in exchange rates could adversely affect our business and the value of our securities.

The value of our common stock will be indirectly affected by the foreign exchange rate between the U.S. dollar and RMB and between those currencies and other currencies in which our sales may be denominated. Appreciation or depreciation in the value of the RMB relative to the U.S. dollar would affect our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business or results of operations. Fluctuations in the exchange rate will also affect the relative value of any dividend we issue that will be exchanged into U.S. dollars, as well as earnings from, and the value of, any U.S. dollar-denominated investments we make in the future.

Since July 2005, the RMB has no longer been pegged to the U.S. dollar. Although the People's Bank of China regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, the RMB may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that in the future PRC authorities may lift restrictions on fluctuations in the RMB exchange rate and lessen intervention in the foreign exchange market.

Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions. While we may enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited, and we may not be able to successfully hedge our exposure at all. In addition, our foreign currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currencies.

Restrictions under PRC law on our PRC subsidiaries' ability to make dividends and other distributions could materially and adversely affect our ability to grow, make investments or acquisitions that could benefit our business, pay dividends to you, and otherwise fund and conduct our business.

Substantially all of our revenues are earned by our PRC subsidiaries and VIEs. However, PRC regulations restrict the ability of our PRC subsidiary to make dividends and other payments to their offshore parent companies. PRC legal restrictions permit payments of dividends by our PRC subsidiary only out of their accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. Our PRC subsidiary is also required under PRC laws and regulations to allocate at least 10% of its annual after-tax profits determined in accordance with PRC generally accepted accounting principles to a statutory general reserve fund until the amounts in said fund reaches 50% of its registered capital. Allocations to these statutory reserve funds can only be used for specific purposes and are not transferable to us in the form of loans, advances, or cash dividends. Any limitations on the ability of our PRC subsidiary to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

PRC regulations relating to investments in offshore companies by PRC residents may subject our PRC-resident beneficial owners or our PRC subsidiary to liability or penalties, limit our ability to inject capital into our PRC subsidiary or limit our PRC subsidiary's ability to increase their registered capital or distribute profits.

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, on July 4, 2014, which replaced the former circular commonly known as "SAFE Circular 75" promulgated by SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls. According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment released on February 13, 2015 by SAFE, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 1, 2015.

According to SAFE Circular 37, our shareholders or beneficial owners, who are PRC residents, are subject to SAFE Circular 37 or other foreign exchange administrative regulations in respect of their investment in our company. We have notified substantial beneficial owners of common stock who we know are PRC residents of their filing obligations. Nevertheless, we may not be aware of the identities of all of our beneficial owners who are PRC residents. We do not have control over our beneficial owners and there can be no assurance that all of our PRC-resident beneficial owners will comply with SAFE Circular 37 and subsequent implementation rules, and there is no assurance that the registration under SAFE Circular 37 and any amendment will be completed in a timely manner, or will be completed at all. The failure of our beneficial owners who are PRC residents to register or amend their foreign exchange registrations in a timely manner pursuant to SAFE Circular 37 and subsequent implementation rules, or the failure of future beneficial owners of our company who are PRC residents to comply with the registration procedures set forth in SAFE Circular 37 and subsequent implementation rules, may subject such beneficial owners or our PRC subsidiary to fines and legal sanctions. Such failure to register or comply with relevant requirements may also limit our ability to contribute additional capital to our PRC subsidiary and limit our PRC subsidiary's ability to distribute dividends to our company. These risks may have a material adverse effect on our business, financial condition and results of operations.

Furthermore, SAFE Circular 37 is unclear how this regulation, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant PRC government authorities, and we cannot predict how these regulations will affect our business operations or future strategy. Failure to register or comply with relevant requirements may also limit our ability to contribute additional capital to our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to us. These risks could in the future have a material adverse effect on our business, financial condition and results of operations.

PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from using the proceeds of our future financings to make loans to our PRC subsidiary and our consolidated VIEs, or to make additional capital contributions to our PRC subsidiary.

We, as a holding company, are permitted under PRC laws and regulations to provide funding to our PRC subsidiary, which are treated as foreign-invested enterprises under PRC laws, through loans or capital contributions. However, loans by us to our PRC subsidiary to finance its activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE and capital contributions to our PRC subsidiary are subject to the requirement of making necessary filings in the Foreign Investment Comprehensive Management Information System, and registration with other governmental authorities in China.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises, or Circular 19, effective on June 1, 2015, in replacement of the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or Circular 142, the Notice from the State Administration of Foreign Exchange on Relevant Issues Concerning Strengthening the Administration of Foreign Exchange Businesses, or Circular 59, and the Circular on Further Clarification and Regulation of the Issues Concerning the Administration of Certain Capital Account Foreign Exchange Businesses, or Circular 45. According to Circular 19, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for the issuance of RMB entrusted loans, the repayment of inter-enterprise loans or the repayment of bank loans that have been transferred to a third party. Although Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign invested enterprise to be used for equity investments within the PRC, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in the PRC in actual practice. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to grant loans to non-associated enterprises. Violations of SAFE Circular 19 and Circular 16 could result in administrative penalties. Circular 19 and Circular 16 may significantly limit our ability to transfer any foreign currency we hold, including the net proceeds from our future financings, to our PRC subsidiary, which may adversely affect our liquidity and our ability to fund and expand our business in the PRC.

Due to the restrictions imposed on loans in foreign currencies extended to any PRC domestic companies, we are not likely to make such loans to any of our consolidated VIEs and their subsidiaries, each a PRC domestic company. Meanwhile, we are not likely to finance the activities of our consolidated VIEs and their subsidiaries by means of capital contributions given the restrictions on foreign investment in the businesses that are currently conducted by our consolidated VIEs and their subsidiaries.

In light of the various requirements imposed by PRC regulations on loans to, and direct investment in, PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiary or any consolidated variable interest entity or future capital contributions by us to our PRC subsidiary. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiary or consolidated VIEs and their subsidiaries when needed. If we fail to complete such registrations or obtain such approvals, our ability to use foreign currency, including the proceeds we received from our future financings, and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.

We are required under PRC laws and regulations to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of our employees up to a maximum amount specified by the local government from time to time at locations where we operate our businesses. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. Although we have made contributions to some employee benefit plans, such as social security plans, we may have not made adequate employee benefit payments required by PRC regulations. We may be required to make up the contributions for these plans as well as pay late fees and fines. If we are subject to late fees or fines in relation to the underpaid employee benefits, our financial condition and results of operations may be adversely affected.

Under the Enterprise Income Tax Law, we may be classified as a “resident enterprise” of China. Such classification will likely result in unfavorable tax consequences to us and our non-PRC shareholders.

On March 16, 2007, the National People’s Congress of China passed a new Enterprise Income Tax Law, or the EIT Law. On November 28, 2007, the State Council of China passed its implementing rules, which took effect on January 1, 2008. Under the EIT Law, an enterprise established outside of China with “de facto management bodies” within China is considered a “resident enterprise,” meaning that it can be treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define de facto management as “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise.

On April 22, 2009, the State Administration of Taxation issued the Notice Concerning Relevant Issues Regarding Cognizance of Chinese Investment Controlled Enterprises Incorporated Offshore as Resident Enterprises. According to the Criteria of de facto Management Bodies, or the Notice, further interprets the application of the EIT Law and its implementation non-Chinese enterprise or group controlled offshore entities. Pursuant to the Notice, an enterprise incorporated in an offshore jurisdiction and controlled by a Chinese enterprise or group will be classified as a “non-domestically incorporated resident enterprise” if (i) its senior management in charge of daily operations reside or perform their duties mainly in China; (ii) its financial or personnel decisions are made or approved by bodies or persons in China; (iii) its substantial assets and properties, accounting books, corporate chops, board and shareholder minutes are kept in China; and (iv) at least half of its directors with voting rights or senior management often resident in China. A resident enterprise would be subject to an enterprise income tax rate of 25% on its worldwide income and must pay a withholding tax at a rate of 10%, when paying dividends to its non-PRC shareholders. However, it remains unclear as to whether the Notice is applicable to an offshore enterprise incorporated by a Chinese natural person, nor detailed measures on imposition of tax from non-domestically incorporated resident enterprises are available. Therefore, it is unclear how tax authorities will determine tax residency based on the facts of each case.

We may be deemed to be a resident enterprise by Chinese tax authorities. If the PRC tax authorities determine that we are a “resident enterprise” for the PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we may be subject to the enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations. In our case, this would mean that income such as interest on financing proceeds and non-China source income would be subject to PRC enterprise income tax at a rate of 25%. Second, although, under the EIT Law and its implementing rules, dividends paid to us from our PRC subsidiaries would qualify as “tax-exempt income,” we cannot guarantee that such dividends will not be subject to a 10% withholding tax, as the PRC foreign exchange control authorities, which enforce the withholding tax, have not yet issued a guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for the PRC enterprise income tax purposes. Finally, it is possible that future guidance issued with respect to the new “resident enterprise” classification could result in a situation, which a 10% withholding tax is imposed on dividends we pay to our non-PRC shareholders and with respect to gains derived by our non-PRC stockholders from transferring our shares.

If we were treated as a “resident enterprise” by the PRC tax authorities, we would be subject to taxation in both the U.S. and China, and our PRC tax may not be used as a credit to reduce our U.S. tax.

We and our stockholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributed to a Chinese establishment of a non-Chinese company, or immovable properties located in China owned by non-Chinese companies.

In October 2017, the State Administration of Taxation issued the Bulletin on Issues Concerning the Withholding of Non-PRC Resident Enterprise Income Tax at Source, or Bulletin 37, which replaced the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises issued by the State Administration of Taxation on December 10, 2009, and partially replaced and supplemented rules under the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises, or Bulletin 7, issued by the State Administration of Taxation on February 3, 2015. Pursuant to Bulletin 7, an “indirect transfer” of PRC assets, including a transfer of equity interests in an unlisted non-PRC holding company of a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of the underlying PRC assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. According to Bulletin 7, “PRC taxable assets” include assets attributed to an establishment in China, immovable properties located in China, and equity investments in PRC resident enterprises and any gains from the transfer of such asset by a direct holder, who is a non-PRC resident enterprise, would be subject to PRC enterprise income taxes. When determining whether there is a “reasonable commercial purpose” of the transaction arrangement, features to be taken into consideration include: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consists of direct or indirect investment in China or if its income mainly derives from China; whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have real commercial nature which is evidenced by their actual function and risk exposure; the duration of existence of the business model and organizational structure; the replicability of the transaction by direct transfer of PRC taxable assets; and the tax situation of such indirect transfer and applicable tax treaties or similar arrangements. In the case of an indirect offshore transfer of assets of a PRC establishment, the resulting gain is to be included with the enterprise income tax filing of the PRC establishment or place of business being transferred, and may consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to immovable properties located in China or to equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax of 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. Pursuant to Bulletin 37, the withholding agent shall declare and pay the withheld tax to the competent tax authority in the place where such withholding agent is located within 7 days from the date of occurrence of the withholding obligation, while the transferor is required to declare and pay such tax to the competent tax authority within the statutory time limit according to Bulletin 7. Late payment of applicable tax will subject the transferor to default interest. Both Bulletin 37 and Bulletin 7 do not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired from a transaction through a public stock exchange.

There is uncertainty as to the application of Bulletin 37 or previous rules under Bulletin 7. We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries or investments. Our company may be subject to filing obligations or taxes if our company is transferor in such transactions, and may be subject to withholding obligations if our company is transferee in such transactions, under Bulletin 37 and Bulletin 7. For transfer of shares in our company by investors that are non-PRC resident enterprises, our PRC subsidiary may be requested to assist in the filing under Bulletin 37 and Bulletin 7. As a result, we may be required to expend valuable resources to comply with Bulletin 37 and Bulletin 7 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our company should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

We may be exposed to liabilities under the Foreign Corrupt Practices Act and Chinese anti-corruption laws, and any determination that we violated these laws could have a material adverse effect on our business.

We are subject to the Foreign Corrupt Practice Act, or FCPA, and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by U.S. persons and issuers as defined by the statute, for the purpose of obtaining or retaining business. We have operations, agreements with third parties, and make most of our sales in China. The PRC also strictly prohibits bribery of government officials. Our activities in China create the risk of unauthorized payments or offers of payments by the employees, consultants, sales agents, or distributors of our Company, even though they may not always be subject to our control. It is our policy to implement safeguards to discourage these practices by our employees. However, our existing safeguards and any future improvements may prove to be less than effective, and the employees, consultants, sales agents, or distributors of our Company may engage in conduct for which we might be held responsible. Violations of the FCPA or Chinese anti-corruption laws may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition. In addition, the U.S. government may seek to hold our Company liable for successor liability FCPA violations committed by companies in which we invest or that we acquire.

If we become directly subject to the recent scrutiny, criticism and negative publicity involving U.S.-listed Chinese companies, we may have to expend significant resources to investigate and resolve the matter which could harm our business operations, stock price and reputation and could result in a loss of your investment in our stock, especially if such matter cannot be addressed and resolved favorably.

Recently, U.S. public companies that have substantially all of their operations in China, particularly companies like us which have completed so-called reverse merger transactions, have been the subject of intense scrutiny, criticism and negative publicity by investors, financial commentators and regulatory agencies, such as the SEC. Much of the scrutiny, criticism and negative publicity has centered around financial and accounting irregularities and mistakes, a lack of effective internal controls over financial accounting, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. As a result of the scrutiny, criticism and negative publicity, the publicly traded stock of many U.S. listed Chinese companies has sharply decreased in value and, in some cases, has become virtually worthless. Many of these companies are now subject to shareholder lawsuits and SEC enforcement actions and are conducting internal and external investigations into the allegations. It is not clear what effect this sector-wide scrutiny, criticism and negative publicity will have on our Company, our business and our stock price. If we become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we will have to expend significant resources to investigate such allegations and/or defend our company. This situation will be costly and time consuming and distract our management from growing our company.

The disclosures in our reports and other filings with the SEC and our other public pronouncements are not subject to the scrutiny of any regulatory bodies in the PRC. Accordingly, our public disclosure should be reviewed in light of the fact that no governmental agency that is located in China where substantially all of our operations and business are located have conducted any due diligence on our operations or reviewed or cleared any of our disclosure.

We are regulated by the SEC and our reports and other filings with the SEC are subject to SEC review in accordance with the rules and regulations promulgated by the SEC under the Securities Act and the Exchange Act. Unlike public reporting companies whose operations are located primarily in the United States, however, substantially all of our operations are located in China. Since substantially all of our operations and business takes place in China, it may be more difficult for the staff of the SEC to overcome the geographic and cultural obstacles that are present when reviewing our disclosure. These same obstacles are not present for similar companies whose operations or business take place entirely or primarily in the United States. Furthermore, our SEC reports and other disclosure and public pronouncements are not subject to the review or scrutiny of any PRC regulatory authority. For example, the disclosure in our SEC reports and other filings are not subject to the review of the China Securities Regulatory Commission, a PRC regulator that is tasked with oversight of the capital markets in China. Accordingly, you should review our SEC reports, filings and our other public pronouncements with the understanding that no local regulator has done any due diligence on our company and with the understanding that none of our SEC reports, other filings or any of our other public pronouncements has been reviewed or otherwise been scrutinized by any local regulator.

Risks Related to the Market for our Common Stock

Our common stock is quoted on the OTCQB market, which may have an unfavorable impact on our stock price and liquidity.

Our common stock is quoted on the OTCQB market. The OTCQB market is a significantly more limited market than the New York Stock Exchange or NASDAQ. The quotation of our shares on the OTCQB may result in a less liquid market available for existing and potential stockholders to trade shares of our common stock, could depress the trading price of our common stock and could have a long-term adverse impact on our ability to raise capital in the future. We plan to list our common stock as soon as practicable. However, we cannot assure you that we will be able to meet the initial listing standards of any stock exchange, or that we will be able to maintain any such listing.

We are subject to penny stock regulations and restrictions and you may have difficulty selling shares of our common stock.

The SEC has adopted regulations which generally define so-called “penny stocks” to be an equity security that has a market price less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exemptions. Our common stock is a “penny stock” and is subject to Rule 15g-9 under the Exchange Act, or the Penny Stock Rule. This rule imposes additional sales practice requirements on broker-dealers that sell such securities to persons other than established customers and “accredited investors” (generally, individuals with a net worth in excess of \$1,000,000 or annual incomes exceeding \$200,000, or \$300,000 together with their spouses). For transactions covered by Rule 15g-9, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser’s written consent to the transaction prior to sale. As a result, this rule may affect the ability of broker-dealers to sell our securities and may affect the ability of purchasers to sell any of our securities in the secondary market, thus possibly making it more difficult for us to raise additional capital.

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For any transaction involving a penny stock, unless exempt, the rules require delivery, prior to any transaction in penny stock, of a disclosure schedule prepared by the SEC relating to the penny stock market. Disclosure is also required to be made about sales commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements are required to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stock.

There can be no assurance that our common stock will qualify for exemption from the Penny Stock Rule. In any event, even if our common stock were exempt from the Penny Stock Rule, we would remain subject to Section 15(b)(6) of the Exchange Act, which gives the SEC the authority to restrict any person from participating in a distribution of penny stock, if the SEC finds that such a restriction would be in the public interest.

We are an “emerging growth company,” and we cannot be certain if the reduced reporting requirements applicable to “emerging growth companies” will make our common shares less attractive to investors.

We are an “emerging growth company,” as defined in the JOBS Act. For as long as we continue to be an “emerging growth company,” we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies,” including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We could be an “emerging growth company” until the end of 2019, although circumstances could cause us to lose that status earlier, including if we become a large accelerated filer or if we have issued an aggregate of \$1 billion in non-convertible debt during the preceding 3 years. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and the price of our common stock may be more volatile.

We do not intend to pay dividends for the foreseeable future.

For the foreseeable future, we intend to retain any earnings to finance the development and expansion of our business, and we do not anticipate paying any cash dividends on our common stock. Accordingly, investors must be prepared to rely on sales of their common stock after price appreciation to earn an investment return, which may never occur. Investors seeking cash dividends should not purchase our common stock. Any determination to pay dividends in the future will be made at the discretion of our board of directors and will depend on our results of operations, financial condition, contractual restrictions, restrictions imposed by applicable law and other factors our board deems relevant.

Compliance with changing regulation of corporate governance and public disclosure will result in additional expenses.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including SOX and related SEC regulations, have created uncertainty for public companies and significantly increased the costs and risks associated with accessing the public markets and public reporting. Our management team will need to invest significant management time and financial resources to comply with both existing and evolving standards for public companies, which will lead to increased general and administrative expenses and a diversion of management time and attention from revenue generating activities to compliance activities.

Provisions in our charter documents and under Nevada law could discourage a takeover that stockholders may consider favorable.

Provisions in our articles of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our board of directors has the right to determine the authorized number of directors. In addition, we are authorized to issue up to 250,000,000 shares of preferred stock, in one or more classes or series as may be determined by our board of directors. The issuance of shares of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, a majority of our outstanding voting stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 2. PROPERTIES.

Our executive offices and all of our PRC subsidiaries and consolidated entities are located at 36th Floor, Shenzhen Development Center, #2010, Renmin South Road, Luohu District, Shenzhen, Guangdong, China, 518001, which consist of approximately 1678.75 square meters. We lease our facilities pursuant to a lease agreement that our variable interest entity, Portercity entered into with Beijing Na Sheng Hong Sale and Service Center on November 27, 2017 for a lease term commencing on December 1, 2017 and ending on February 28, 2023. We believe that all our properties have been adequately maintained, are generally in good condition, and are suitable and adequate for our business. We do not own or rent any real estate or other properties.

ITEM 3. LEGAL PROCEEDINGS.

From time to time, we may become involved in various lawsuits and legal proceedings, which arise, in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these, or other matters, may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that we believe will have an adverse effect on our business, financial condition or operating results.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

Our common stock is quoted and traded on the OTCQB market under the symbol “ULNV.” Any over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Approximate Number of Holders of Our Common Stock

As of April 12, 2019, there were approximately 287 holders of record of our common stock, which does not include the number of stockholders holding shares of our common stock in “street name”. We believe the actual number of stockholders is greater than the number of holders of record.

Dividend Policy

We have never declared or paid any dividends, nor do we have any present plan to pay any cash dividends on our common stock in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

Securities Authorized for Issuance Under Equity Compensation Plans

See Item 12, “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters — Securities Authorized for Issuance Under Equity Compensation Plans.”

Recent Sales of Unregistered Securities

We have not sold any equity securities during the 2018 fiscal year that were not previously disclosed in a quarterly report on Form 10-Q or a current report on Form 8-K that was filed during the 2018 fiscal year.

Purchases of Equity Securities

No repurchases of our common stock were made during the fiscal year ended December 31, 2018.

ITEM 6. SELECTED FINANCIAL DATA.

Not applicable.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following management’s discussion and analysis should be read in conjunction with our financial statements and the notes thereto and the other financial information appearing elsewhere in this report. In addition to historical information, the following discussion contains certain forward-looking information. See “Special Note Regarding Forward Looking Statements” above for certain information concerning those forward looking statements. Our financial statements are prepared in U.S. dollars and in accordance with U.S. GAAP.

Overview

On April 7, 2017, we completed the acquisition of PGL pursuant to the share purchase agreement. As a result of the acquisition, PGL became our wholly-owned subsidiary and the former shareholders of PGL became the holders of approximately 98.4% of our issued and outstanding capital stock on a fully-diluted basis. Since 2016, through our VIE entity, Porter Consulting, we have partnered with China Payment Technology Co., Ltd., a third-party online payment service provider (“China Payment”) to promote China Payment’s online payment platform to companies and businesses in Shenzhen and in return share a portion of the processing fees earned by China Payment as commission. Porter Consulting also partners with Shenzhen Xinghua Tongfu Technology Co., Ltd., a third-party online payment service provider (“Shenzhen Tongfu”), under which Porter Consulting agreed to promote Shenzhen Tongfu’s online payment platform, including the Point of Sale (POS) system, to companies and businesses in China and in return obtain a certain amount of commission based on the volume of trading through such online payment platform.

As a newly established company with limited operation history, we are at the early stage of developing our O2O business and our goal is to become a leading innovative O2O business platform operator providing both online E-commerce and offline physical business facilities to our merchant customers, where they can conduct business, interact with their existing and potential end-consumers face to face. Different from most other O2O companies, which often lack of integrated platforms, our goal is to provide one-stop services for our customers through our integrated online and offline platforms. As described fully below, we are developing and intend to offer products and services including both hosting our online marketplaces, www.pt37.com and www.17yugo.com for our merchant clients to post and sell their products and services online and managing and operating physical business facilities, Porter City, that our online merchant clients can utilize to conduct their businesses offline. We are currently developing merchant clients who are engaged in businesses including manufacturing, real estate, trade and financing. In the future, we intend to expand our merchant client base to industries of big data, new materials, new energy, green food and environment protection.

According to the development demand and future goals of our customers, in 2018 we started to offer a series of services such as business planning, financial guidance, business matching and guidance for listing primarily in the United States. At present, in our customer pool, many small and medium-sized enterprises have increased their public awareness. They are seeking the potential advantages of being a listed company and striving for obtaining the recognition of international capital to accelerate their corporate expansion. But many enterprises themselves may not be familiar with the listing requirements, laws and regulations of different capital markets, and the process of obtaining financing from overseas markets.

In order to help our customers who intend to access to overseas capital markets, we have a team of experienced professionals who have professional knowledge of the listing rules and regulations of various capital markets. We will make full use of our expertise and resources in the capital markets to assist these customers to achieve their goals.

Results of Operations**Comparison of Years Ended December 31, 2018 and 2017**

The following table sets forth key components of our results of operations during the years ended December 31, 2018 and 2017, both in dollars and as a percentage of our revenue.

	Years Ended December 31,			
	2018		2017	
	Amount	% of Revenue	Amount	% of Revenue
Revenue	\$ 3,454,247	100.00	\$ 1,701,977	100.00
Cost of revenue	(146,296)	(4.24)	(1,729,340)	(101.61)
Gross profit (loss)	3,307,951	95.76	(27,363)	(1.61)
Operating expenses				
General and administrative expenses	(1,915,256)	(54.45)	(1,515,349)	(89.03)
Profit (loss) from operations	1,392,695	40.31	(1,542,712)	(90.64)
Other income	11,693	0.34	33,910	1.99
Income (loss) before income taxes	1,404,388	40.65	(1,508,802)	(88.65)
Income tax expense	-	-	144	0.01
Net income (loss)	1,404,388	40.65	(1,508,658)	(88.64)
Less: Net loss attributable to non-controlling interests	2,454	0.07	-	-
Net income (loss) attributable to Porter Holding International Inc. common stockholders	1,406,842	40.72	(1,508,658)	(88.64)

Revenue . Our revenue was \$3,454,247 for the year ended December 31, 2018, compared to \$1,701,977 for the same period last year. Starting from the second quarter of 2018, we commenced to provide various consulting services to our customers, especially those who have the intention to be publicly listed primarily on the stock exchanges in the United States, and service income from the provision of these consulting services totaled \$3,234,894 for the year ended December 31, 2018. During the year ended December 31, 2017, through Porter Consulting we also promoted the payment service of a third-party payment service provider to merchants in Shenzhen and in return share a portion of the processing fees earned by the third-party payment service provider as commission. Our commission totaled \$153,693 and \$333,353 for the years ended December 31, 2018 and 2017, respectively. In addition, during the years ended December 31, 2018 and 2017, we through Portercity earned service income of \$nil and \$1,315,721 from organizing and delivering an event and forum to our merchant clients in May 2017.

Cost of revenue . Our cost of revenue was \$146,296 for the year ended December 31, 2018 compared to \$1,729,340 for the same period last year. Our cost of revenue mainly includes fees paid to our sales agents and the cost incurred in relation to a forum which was held in May 2017. During the year ended December 31, 2017, we incurred a cost of \$1,506,018 for organizing a forum in May 2017.

Gross profit (loss) . Our gross profit was \$3,307,951 for the year ended December 31, 2018 compared with a gross loss of \$27,363 for the same period last year. The gross loss incurred during the year ended December 31, 2017 was primarily resulted from the cost for organizing a forum in May 2017. Gross profit as a percentage of revenue (gross margin) was 95.76% for the year ended December 31, 2018 compared to a gross loss of 1.61% for the year ended December 31, 2017.

General and administrative expenses . Our general and administrative expenses increased by \$399,907 to \$1,915,256 for the year ended December 31, 2018, from \$1,515,349 for the same period in 2017. We incurred more professional staff salary as we expanded our consulting services to customers.

Net income (loss) . As a result of the cumulative effect of the factors described above, our net loss decreased by \$2,913,046, to net profit of \$1,404,388 for the year ended December 31, 2018 from net loss of \$1,508,658 for the same period in 2017.

Limited Operating History; Need for Additional Capital

There is limited historical financial information about us on which to base an evaluation of our performance. We cannot guarantee we will be successful in our business operations. Our business is subject to risks inherent in the establishment of a new business enterprise, including limited capital resources, a narrow client base, limited sources of revenue, and possible cost overruns due to the price and cost increases in supplies and services.

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Without additional funding, management believes that we will not have sufficient funds to meet our obligations beyond one year after the date our consolidated financial statements are issued. These conditions give rise to substantial doubt as to our ability to continue as a going concern.

We have been, and intend to continue, working toward identifying and obtaining new sources of financing. To date we have been dependent on related parties for our source of funding. No assurances can be given that we will be successful in obtaining additional financing in the future. Any future financing that we may obtain may cause significant dilution to existing stockholders. Any debt financing or other financing of securities senior to common stock that we are able to obtain will likely include financial and other covenants that will restrict our flexibility. Any failure to comply with these covenants would have a negative impact on our business, prospects, financial condition, results of operations and cash flows.

If adequate funds are not available, we may be required to delay, scale back or eliminate portions of our operations or obtain funds through arrangements with strategic partners or others that may require us to relinquish rights to certain of our assets. Accordingly, the inability to obtain such financing could result in a significant loss of ownership and/or control of our assets and could also adversely affect our ability to fund our continued operations and our expansion efforts.

Currently we spend approximately \$160,000 per month for basic operations. During the next 12 months, we expect to incur the same costs as the current monthly expenses. However, as we strive to expand our new business, we may need to hire more employees to provide new services and accommodate new customers.

Liquidity and Capital Resources

Working Capital

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Current Assets	\$ 1,486,197	\$ 433,988
Current Liabilities	2,192,678	2,603,461
Working Capital Deficiency	<u>\$ 706,481</u>	<u>\$ 2,169,473</u>

As of December 31, 2018, we had cash and cash equivalents of \$728,121. To date, we have financed our operations primarily through borrowings from our stockholders and related parties.

Going Concern Uncertainties

The accompanying consolidated financial statements have been prepared assuming we will continue as a going concern. Our records indicate an accumulated deficit of \$1,626,596 as of December 31, 2018, and we currently have net working capital deficit of \$706,481. These conditions raise substantial doubt about our ability to continue as a going concern. The ability to continue as a going concern is dependent upon generating profitable operations in the future and/or obtaining the necessary financing to meet our obligations and repay our liabilities arising from normal business operations when they become due. We may have to rely on additional debt financing, loans from existing directors and shareholders and private placements of capital stock for additional funding. Our sources of capital in the past have included borrowings from our stockholders and related parties. If we are unable to generate profitable operations and/or obtaining the necessary financing, we may be forced to curtail operations.

	<u>Years Ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Net cash provided by (used in) operating activities	\$ 1,011,418	\$ (1,352,203)
Net cash (used in) provided by investing activities	(73,072)	176,564
Net cash (used in) provided by financing activities	(423,236)	364,948
Effect of exchange rate changes on cash and cash equivalents	(27,061)	32,450
Net increase (decrease) in cash and cash equivalents	488,049	(778,241)
Cash and cash equivalents at the beginning of year	240,072	1,018,313
Cash and cash equivalents at the end of year	<u>\$ 728,121</u>	<u>\$ 240,072</u>

Operating Activities

Net cash provided by operating activities was \$1,011,418 for the year ended December 31, 2018, as compared to \$1,352,203 net cash used in operating activities for the year ended December 31, 2017. The net cash provided by operating activities for the year ended December 31, 2018 was mainly due to our net income of \$1,404,388, a decrease in prepayments and other receivables of \$126,602 and an increase in accruals and other payables of \$221,867, partially offset by increase in accounts receivable of \$726,500.

Investing Activities

Net cash used in investing activities was \$73,072 for the year ended December 31, 2018, as compared to \$176,564 net cash provided by investing activities for the year ended December 31, 2017. The cash used in investing activities in 2018 was mainly attributable to purchase of property, plant and equipment of \$73,108. The cash provided by investing activities in 2017 was mainly attributable to net decrease in investments in short-term investments of \$99,065 and repayment from related parties of \$101,199.

Financing Activities

Net cash used in financing activities for the year ended December 31, 2018 was \$423,236, as compared to \$364,948 net cash provided by financing activities for the year ended December 31, 2017. During the year of 2018, we repaid \$1,200,556 to related parties and obtained advances of \$719,142 from shareholders. During the year of 2017, we obtained advances of \$918,891 and \$221,032 from shareholders and related parties, respectively, and repaid \$774,975 to related parties.

Contractual Obligations and Commercial Commitments

We had the following contractual obligations and commercial commitments as of December 31, 2018:

Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Amounts due to shareholders	\$ 1,659,262	\$ 1,659,262	\$ —	\$ —	\$ —
Amounts due to related parties	183,545	183,545	—	—	—
Accruals and other payables	214,558	214,558	—	—	—
Leases	915,617	219,748	439,496	256,373	—
TOTAL	\$ 2,972,982	\$ 2,277,113	\$ 439,496	\$ 256,373	\$ —

There is a substantial doubt about our ability to continue as a going concern. If we are unable to generate profitable operations and/ or obtaining the necessary financing, we may be forced to curtail operations. We may also in the future, require additional cash resources due to changed business conditions, implementation of our strategy to expand our business or other investments or acquisitions we may decide to pursue. If our own financial resources are insufficient to satisfy our capital requirements, we may seek to sell additional equity or debt securities or obtain additional credit facilities. The sale of additional equity securities could result in dilution to our stockholders. The incurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financial covenants that would restrict our operations. Financing may not be available in amounts or on terms acceptable to us, if at all. Any failure by us to raise additional funds on terms favorable to us, or at all, could limit our ability to expand our business operations and could harm our overall business prospects.

Capital Expenditures

We incurred capital expenditures of \$73,108 and \$23,700 for the years ended December 31, 2018 and 2017, respectively.

Off-Balance Sheet Transactions

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to investors.

Critical Accounting Policies

The preparation of financial statements in conformity with U.S. GAAP requires our management to make assumptions, estimates and judgments that affect the amounts reported, including the notes thereto, and related disclosures of commitments and contingencies, if any. We have identified certain accounting policies that are significant to the preparation of our financial statements. These accounting policies are important for an understanding of our financial condition and results of operation. Critical accounting policies are those that are most important to the portrayal of our financial condition and results of operations and require management's difficult, subjective, or complex judgment, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Certain accounting estimates are particularly sensitive because of their significance to financial statements and because of the possibility that future events affecting the estimate may differ significantly from management's current judgments. We believe the following critical accounting policies involve the most significant estimates and judgments used in the preparation of our consolidated financial statements:

Basis of Presentation

The financial statements have been prepared in accordance with United States of America generally accepted accounting principles ("U.S. GAAP").

Use of Estimates

The preparation of the accompanying financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. On an on-going basis, we evaluate our estimates based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Revenue Recognition

In May 2014 the FASB issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes all existing revenue recognition requirements, including most industry specific guidance. This new standard requires a company to recognize revenues when it transfers goods or services to customers in an amount that reflects the consideration that we expect to receive for those goods or services. The FASB subsequently issued the following amendments to ASU No. 2014-09 that have the same effective date and transition date: ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations; ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing; ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients; and ASU No. 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers. We adopted these amendments with ASU 2014-09 (collectively, the new revenue standards).

The new revenue standards became effective for us on January 1, 2018, and were adopted using the modified retrospective method. The adoption of the new revenue standards as of January 1, 2018 did not change our revenue recognition as the majority of our revenues continue to be recognized when the customer takes control of its product or services. As we did not identify any accounting changes that impacted the amount of reported revenues with respect to our service revenues, no adjustment to accumulated deficit was required upon adoption.

Under the new revenue standards, we recognize revenues when its customer obtains control of promised goods or services, in an amount that reflects the consideration which we expect to receive in exchange for those goods or services. We recognize revenues following the five step model prescribed under ASU No. 2014-09: (i) identify contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenues when (or as) we satisfy the performance obligation.

Revenues are recognized when control of the promised goods or services is transferred to our customers, which may occur at a point in time or over time depending on the terms and conditions of the agreement, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

The third-party payment provider is a China UnionPay card acquiring institution and earns processing fees from China UnionPay card transactions. We via Porter Consulting promote the payment service of the third-party payment service provider to merchants in Shenzhen and share a portion of the processing fees earned by the third-party payment service provider from China UnionPay, as commission.

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Starting from the second quarter of 2018, we via Portercity provide various consulting services to its clients, especially to those who have the intention to be publicly listed in the stock exchanges in the United States and other countries. We categorize its consulting services into three phases:

Phase I consulting services primarily include due diligence review, market research and feasibility study, business plan drafting, accounting record review, and business analysis and recommendations etc. Management estimates that Phase I normally takes around three months to complete based on its past experiences.

Phase II consulting services primarily include reorganization, pre-listing education and tutoring, talent search, legal and audit firm recommendation and coordination, VIE contracts and other public-listing related documents review, merger and acquisition planning, investor referral and pre-listing equity financing source identification and recommendation, independent directors and audit committee candidates recommendation etc. Management estimates that Phase II normally takes about five months to complete based its past experiences.

Phase III consulting services primarily include shell company identification and recommendation for customers expecting to become publicly listed through reverse merger transaction; assistance in preparation of customers' registration statement under IPO transactions or Form 8-K under reverse merger transactions; assistance in answering comments and questions received from regulatory agencies etc. Management believes it is very difficult to estimate the timing of this phase of service as the completion of Phase III services is not within our control.

Under ASC Topic 606, in order to recognize revenue, we are required to identify an approved contract with commitments to perform respective obligations, identify rights of each party in the transaction regarding goods to be transferred, identify the payment terms for the goods transferred, verify that the contract has commercial substance and verify that collection of substantially all consideration is probable. Each phase of consulting services is standalone and fees associated with each phase are usually clearly identified in service agreements. Revenue from providing Phase I and Phase II consulting services to customers is recognized ratably over the estimated completion period of each phase only when we have an enforceable right to payment for performance completed to date. Otherwise, such revenue is recognized at a point in time when services are delivered and accepted by customers. Revenue from providing Phase III consulting services to customers is recognized upon completion of reverse merger transaction or IPO transaction, which is evidenced by filing of 8-K for reverse merger transaction or receipt of effective notice from regulatory agencies for IPO transaction. Revenue that has been billed and not yet recognized is reflected as deferred revenue on the consolidated balance sheets.

Depending on the complexity of the underlying service arrangement and related terms and conditions, significant judgments, assumptions and estimates may be required to determine when substantial delivery of contract elements has occurred, whether any significant on going obligations exist subsequent to contract execution, whether amounts due are collectible and the appropriate period or periods in which, or during which, the completion of the earnings process occurs. Depending on the magnitude of specific revenue arrangements, adjustment may be made to the judgments, assumptions and estimates regarding contracts executed in any specific period.

In accordance with ASC 606, we evaluate whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned by PPBGL as commissions. When we are primarily obligated in a transaction, are subject to inventory risk, have latitude in establishing prices and selecting suppliers, or have several but not all of these indicators, revenues are recorded on a gross basis. When we are not the primary obligor, do not bear the inventory risk and do not have the ability to establish the price, revenues are recorded on a net basis. During the year ended December 31, 2018, we determined that we were not the primary obligor in it cosmetic trading business, when control of the products were transferred, being at the point the products were delivered to the customer and the customer accepted the products, and there was no unfulfilled obligation that could affect the customer's acceptance of the products.

VIE Consolidation

The Company's VIEs with the exception of Weifang Portercity, are wholly owned by Mr Zonghua Chen and Ms Xiaomei Xiong as nominee shareholders. For consolidated VIEs, management made evaluations of the relationships between the Company and the VIEs and the economic benefit flow of contractual arrangements with the VIEs. In connection with such evaluation, management also took into account the fact that, as a result of such contractual arrangements, the Company controls the shareholders' voting interests in these VIEs. As a result of such evaluation, management concluded that the Company is the primary beneficiary of its consolidated VIEs.

PRC laws and regulations prohibit or restrict foreign ownership of companies that operate Internet information and content, Internet access, online games, mobile, value added telecommunications and certain other businesses in which the Company is engaged or could be deemed to be engaged. Consequently, the Company conducts certain of its operations and businesses in the PRC through its VIEs. The Company consolidates in its consolidated financial statements all of the VIEs of which the Company is the primary beneficiary.

Recent Accounting Pronouncements

On February 25, 2016, the FASB issued ASU No. 2016-02 (“ASU 2016-02”), Leases. ASU 2016-02 specifies the accounting for leases. For operating leases, ASU 2016-02 requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its balance sheet. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. In addition, this standard requires both lessees and lessors to disclose certain key information about lease transactions. ASU 2016-02 is effective for public companies for annual reporting periods, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. Management is currently assessing the potential impact of adopting this standard on our financial statement presentation and disclosures and expects the most significant change will be the recognition of right-to-use assets and lease liabilities on its balance sheet for real estate operating lease commitments.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326), which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early application will be permitted for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. We do not expect this standard to have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business, which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. The standard should be applied prospectively on or after the effective date. We will evaluate the impact of adopting this standard prospectively upon any transactions of acquisitions or disposals of assets or businesses.

In January 2017, the FASB issued ASU 2017-04, “Simplifying the Test for Goodwill Impairment.” The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The guidance should be adopted on a prospective basis for the annual or any interim goodwill impairment tests beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We do not expect this standard to have a material impact on our consolidated financial statements.

In March 2018, the FASB issued guidance relative to Income Taxes (Topic 740) that adds various Securities and Exchange Commission (“SEC”) paragraphs pursuant to the issuance of the December 2017 SEC Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (“SAB 118”), which was effective immediately. The SEC issued SAB 118 to address concerns about reporting entities’ ability to timely comply with the accounting requirements to recognize all of the effects of the Tax Cuts and Jobs Act (the “Tax Act”) in the period of enactment. For the years ended December 31, 2018. The adoption of this guidance did not have a significant impact on our consolidated financial statements.

On June 20, 2018, the FASB issued ASU No. 2018-07, Compensation—Stock Compensation (Topic 718) - Improvements to Nonemployee Share-Based Payment Accounting, which aligns the accounting for share-based payment awards issued to employees and nonemployees. Under ASU No. 2018-07, the existing employee guidance will apply to nonemployee share-based transactions (as long as the transaction is not effectively a form of financing), with the exception of specific guidance related to the attribution of compensation cost. The cost of nonemployee awards will continue to be recorded as if the grantor had paid cash for the goods or services. In addition, the contractual term will be able to be used in lieu of an expected term in the option-pricing model for nonemployee awards. The new standard is effective for us on January 1, 2019. Early adoption is permitted, including in interim periods, and should be applied to all new awards granted after the date of adoption. The Company does not expect this guidance will have a material impact on its consolidated financial statements.

In August 2018, the FASB Accounting Standards Board issued ASU No. 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework Changes to the Disclosure Requirements for Fair Value Measurement” (“ASU 2018-13”). ASU 2018-13 modifies the disclosure requirements on fair value measurements. ASU 2018-13 is effective for public entities for fiscal years beginning after December 15, 2019, with early adoption permitted for any removed or modified disclosures. The removed and modified disclosures will be adopted on a retrospective basis and the new disclosures will be adopted on a prospective basis. The Company does not expect this guidance will have a material impact on its consolidated financial statements.

In August 2018, the SEC issued Release No. 33-10532 that amends and clarifies certain financial reporting requirements. The principal change to our financial reporting will be the inclusion of the annual disclosure requirement of changes in stockholders’ equity in Rule 3-04 of Regulation S-X to interim periods. We will adopt this new rule beginning with our financial reporting for the quarter ending March 31, 2019. Upon adoption, we will include our consolidated statements of stockholders’ equity with each quarterly filing on Form 10-Q.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
Porter Holding International, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Porter Holding International, Inc. (the “Company”) as of December 31, 2018, and the related consolidated statements of operations and comprehensive income, changes in stockholders' deficit and cash flows for the year ended December 31, 2018, and the related notes (collectively referred to as the financial statements). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Porter Holding International, Inc. as of December 31, 2018, and the results of its operations and its cash flows for the year ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Consideration of the Company’s Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company records an accumulated deficit as of December 31, 2018, and the Company currently has net working capital deficit. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regards to these matters are also described in Note 2. These financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provide a reasonable basis for our opinion.

/s/ Friedman LLP

We have served as the Company’s auditor since 2019.

New York, New York

April 15, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Porter Holding International, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Porter Holding International, Inc. and subsidiaries (the “Company”) as of December 31, 2017, and the related consolidated statements of operations and comprehensive loss, stockholders’ deficit and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations and has a net working capital deficit that raise substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Centurion ZD CPA Limited

Centurion ZD CPA Limited

Hong Kong, China

March 30, 2018

PORTER HOLDING INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2018 AND 2017
(In U.S. dollars)

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 728,121	\$ 240,072
Accounts receivable, net of \$37,547 and \$nil allowance for doubtful accounts as of December 31, 2018 and 2017, respectively	726,912	30,064
Prepayments and other receivables	31,164	163,852
Total current assets	<u>1,486,197</u>	<u>433,988</u>
NON-CURRENT ASSETS		
Long-term rental deposits	36,625	38,538
Long-term prepayments	2,860	-
Property, plant and equipment, net	67,595	11,190
Intangible assets, net	30,967	36,747
Total non-current assets	<u>138,047</u>	<u>86,475</u>
TOTAL ASSETS	<u>\$ 1,624,244</u>	<u>\$ 520,463</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	\$ 7,139	\$ 40,757
Accruals and other payables	214,558	186,387
Taxes payable	128,174	694
Amounts due to shareholders	1,659,262	964,076
Amounts due to related parties	183,545	1,411,547
Total current liabilities	<u>2,192,678</u>	<u>2,603,461</u>
TOTAL LIABILITIES	<u>2,192,678</u>	<u>2,603,461</u>
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIT		
Preferred stock, par value \$0.001 per share; 250,000,000 shares authorized and nil shares issued as of December 31, 2018 and 2017	-	-
Common stock, par value \$0.001 per share; 750,000,000 shares authorized, 508,110,000 shares issued and outstanding as of December 31, 2018 and 2017	508,110	508,110
Additional paid-in capital	400,561	400,561
Accumulated deficit	(1,626,596)	(3,033,438)
Accumulated other comprehensive income	93,674	41,769
Total Porter Holding International, Inc. stockholders' deficit	<u>(624,251)</u>	<u>(2,082,998)</u>
Non-controlling interests	55,817	-
Total stockholders' deficit	<u>(568,434)</u>	<u>(2,082,998)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	<u>\$ 1,624,244</u>	<u>\$ 520,463</u>

The accompanying notes are an integral part of these consolidated financial statements.

PORTER HOLDING INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In U.S. dollars)

	<u>2018</u>	<u>2017</u>
REVENUE	\$ 3,454,247	\$ 1,701,977
COST OF REVENUE	(146,296)	(1,729,340)
GROSS PROFIT (LOSS)	<u>3,307,951</u>	<u>(27,363)</u>
OPERATING EXPENSES		
General and administrative expenses	(1,915,256)	(1,515,349)
Total operating expenses	<u>(1,915,256)</u>	<u>(1,515,349)</u>
PROFIT (LOSS) FROM OPERATIONS	<u>1,392,695</u>	<u>(1,542,712)</u>
OTHER INCOME, NET		
Other income	11,693	33,910
Total other income, net	<u>11,693</u>	<u>33,910</u>
NET INCOME (LOSS) BEFORE TAXES	1,404,388	(1,508,802)
Income tax benefit	-	144
NET INCOME (LOSS)	1,404,388	(1,508,658)
Less: Net loss attributable to non-controlling interests	<u>2,454</u>	<u>-</u>
Net income (loss) attributable to Porter Holding International, Inc. common stockholders	<u>1,406,842</u>	<u>(1,508,658)</u>
NET INCOME (LOSS)	1,404,388	(1,508,658)
Other comprehensive income (loss)		
Foreign currency translation adjustment	<u>51,998</u>	<u>(64,583)</u>
Total comprehensive income (loss)	1,456,386	(1,573,241)
Less: comprehensive loss attributable to non-controlling interests	(2,361)	-
Comprehensive income (loss) attributable to Porter Holding International, Inc. common stockholders	<u>\$ 1,458,747</u>	<u>\$ (1,573,241)</u>
Basic and diluted earnings (loss) per share	<u>\$ -*</u>	<u>\$ -*</u>
Weighted average number of common shares outstanding- basic and diluted	<u>508,110,000</u>	<u>508,110,000</u>

* Less than \$0.01 per share

The accompanying notes are an integral part of these consolidated financial statements.

PORTER HOLDING INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In U.S. dollars)

	<u>Common stock</u>		<u>Additional paid-in capital</u>	<u>Accumulated deficit</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Non- controlling interests</u>	<u>Total</u>
	<u>Number of shares</u>	<u>Amount</u>					
Balance at January 1, 2017	<u>508,110,000</u>	<u>\$ 508,110</u>	<u>\$ 400,561</u>	<u>\$ (1,524,780)</u>	<u>\$ 106,352</u>	<u>\$ -</u>	<u>\$ (509,757)</u>
Net loss for the year	-	-	-	(1,508,658)	-	-	(1,508,658)
Foreign currency translation adjustment	-	-	-	-	(64,583)	-	(64,583)
Balance at December 31, 2017	<u>508,110,000</u>	<u>\$ 508,110</u>	<u>\$ 400,561</u>	<u>\$ (3,033,438)</u>	<u>\$ 41,769</u>	<u>\$ -</u>	<u>\$ (2,082,998)</u>
Capital contribution	-	-	-	-	-	58,178	58,178
Net income (loss) for the year	-	-	-	1,406,842	-	(2,454)	1,404,388
Foreign currency translation adjustment	-	-	-	-	51,905	93	51,998
Balance at December 31, 2018	<u>508,110,000</u>	<u>\$ 508,110</u>	<u>\$ 400,561</u>	<u>\$ (1,626,596)</u>	<u>\$ 93,674</u>	<u>\$ 55,817</u>	<u>\$ (568,434)</u>

The accompanying notes are an integral part of these consolidated financial statements.

PORTER HOLDING INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In U.S. dollars)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Net income (loss)	\$ 1,404,388	\$ (1,508,658)
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:		
Depreciation and amortization	17,859	3,877
Loss on disposal of property, plant and equipment	75	-
Gain on disposal of intangible assets	-	(9,888)
Changes in assets and liabilities		
Accounts receivable	(726,500)	8,741
Prepayments and other receivables	126,602	95,374
Accounts payable	(32,873)	(4,028)
Accruals and other payables	221,867	64,452
Taxes payable	-	(2,073)
Net cash provided by (used in) operating activities	<u>1,011,418</u>	<u>(1,352,203)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(73,108)	(5,845)
Proceed from disposal of property, plant and equipment	36	-
Purchase of intangible assets	-	(17,855)
Purchase of investments	-	(2,125,356)
Proceeds from disposal of investments	-	2,224,421
Repayment from related parties	-	101,199
Net cash (used in) provided by investing activities	<u>(73,072)</u>	<u>176,564</u>
Cash flows from financing activities		
Capital contribution from shareholders of VIE	58,178	-
Advances from related parties	-	221,032
Repayment to related parties	(1,200,556)	(774,975)
Amounts due to shareholders	719,142	918,891
Net cash (used in) provided by financing activities	<u>(423,236)</u>	<u>364,948</u>
Effect of exchange rates on cash	<u>(27,061)</u>	<u>32,450</u>
Net increase (decrease) in cash and cash equivalents	<u>488,049</u>	<u>(778,241)</u>
Cash and cash equivalents at beginning of year	<u>240,072</u>	<u>1,018,313</u>
Cash and cash equivalents at end of year	<u>\$ 728,121</u>	<u>\$ 240,072</u>
Supplemental of cash flow information		
Cash paid for interest expenses	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income tax	<u>\$ -</u>	<u>\$ 1,929</u>

The accompanying notes are an integral part of these consolidated financial statements.

PORTER HOLDING INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017
(In U.S. dollars)

1. ORGANIZATION AND BUSINESS

Porter Holding International, Inc. (formerly known as Uni Line Corp., “ULNV” or the “Company”) was incorporated in the State of Nevada on September 5, 2013.

The Company’s original business plan was to sell freshly squeezed juices from mobile stands in London, United Kingdom, but this business was not successful and did not generate any revenue from this business.

On December 16, 2016, the Company entered into a share purchase agreement (the “Purchase Agreement”) with Porter Group Limited (“PGL”) to acquire all issued and outstanding shares of PGL. Under the terms of the Purchase Agreement, the Company agreed to issue 500,000,000 shares of its common stock to the owners of the PGL (“the share exchange”).

Porter Group Limited (“PGL”) was incorporated in the Republic of Seychelles on October 13, 2016, and is a holding company. PGL owns 100% of Porter Perspective Business Group Limited, a company incorporated in Hong Kong (“PPBGL”) which in turn owns 100% of Shenzhen Qianhai Porter Industrial Co. Ltd. (“Qianhai Porter”), a company incorporated in the People’s Republic of China (the “PRC”).

On December 15, 2016, Qianhai Porter, Shenzhen Portercity Investment Management Co. Ltd. (a company incorporated in the PRC; “Portercity”) and Mr. Zonghua Chen (the Company’s Chairman, Chief Executive Officer, Chief Financial Officer and President since December 19, 2016) and Ms. Xiaomei Xiong (spouse of Mr. Zongjian Chen), the shareholders (the “Shareholders”) of Portercity entered into commercial arrangements, or collectively, VIE Agreements, pursuant to which PGL has contractual rights to control and operate the businesses of Portercity and its three operating wholly-owned subsidiaries incorporated in the PRC (collectively the “VIE Entities”):

- (a) Shenzhen Porter Warehouse E-Commerce Co. Ltd. (“Porter E-Commerce”);
- (b) Shenzhen Yihuilian Information Consulting Co. Ltd. (“Porter Consulting”); and
- (c) Shenzhen Porter Commercial Perspective Network Co. Ltd. (“Porter Commercial”).

The VIE Agreements entered into by and between Qianhai Porter, Portercity and the Shareholders are as follows:

- Pursuant to a commission management and consulting services agreement, or the Service Agreement, Qianhai Porter agreed to act as the exclusive management and advisory consultant of Portercity and provide client management, marketing promotion counseling, corporate management and counseling, finance counseling and personnel training services to Portercity. In exchange, Portercity agreed to pay Qianhai Porter a management and consulting fee to be equivalent to the amount of net profit before tax of Portercity;
- Pursuant to an exclusive right and option to purchase agreement, or the Option Agreement, the shareholders of Portercity granted to Qianhai Porter the exclusive right and option to purchase, at any time during the term of the Option Agreement, all of the assets of and equity interests shares in Portercity, at the exercise price equal to the lowest possible price permitted by Chinese laws;
- Pursuant to a shareholders’ voting rights proxy agreement, or the Voting Rights Agreement, each of the shareholders of Portercity irrevocably appointed the representatives designated by Qianhai Porter to exercise its exclusive voting right of shareholders in the general meeting of shareholders of Portercity; and
- Pursuant to an equity interest pledge agreement, the Pledge Agreement, the shareholders of Portercity pledged all of the equity interests in Portercity and any and all legitimate income generated from such equity interests to Qianhai Porter to ensure the rights, privileges and concessions of Qianhai Porter under this and the above contractual arrangements.

As a result of the above contractual arrangements, or the Contractual Arrangements, PGL has substantial control over the VIE Entities’ daily operations and financial affairs, election of their senior executives and all matters requiring shareholder approval. Furthermore, as the primary beneficiary of the VIE Entities, the Company is entitled to consolidate the financial results of the VIE Entities in its own consolidated financial statements under Financial Accounting Standards Board Accounting Standard Codification (ASC) Topic 810 and related subtopics related to the consolidation of variable interest entities, or ASC Topic 810.

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The Company completed the following transactions:

1. The formation of PGL, a Seychelles holding company, was completed in October 13, 2016. The share capital of the Company is \$50,000 divided into 500,000,000 ordinary shares of \$0.0001 par value each. On December 6, 2016, the authorized and issued capital of PGL increased to \$725,000 divided into 7,250,000,000 shares with a par value of \$0.0001 each. PGL is owned and controlled by the same control group as PPBGL and Portercity, including Mr. Zonghua Chen and Mr. Maozi Cong.
2. On November 29, 2016, Mr. Zongjian Chen, the sole shareholder of PPBGL, transferred 100% of the outstanding shares of PPBGL to PGL. The Share Transfer has been accounted for as a common control transaction. Other than its 100% ownership of PPBGL, PGL has no significant assets and no other business operations.

Organization and reorganization

PPBGL was incorporated in Hong Kong on September 21, 2016 as a company with limited liability as an investment holding company. Upon incorporation, PPBGL issued 1 ordinary share at HK\$1. Also on September 21, 2016, an additional 9,999 ordinary shares were issued, and Mr. Zongjian Chen held all the 10,000 ordinary shares of PPBGL on behalf of the original investors of Portercity. At this time, PPBGL was controlled by Mr. Zongjian Chen and other investors had no significant assets or business operations.

Qianhai Porter was incorporated in the PRC as a wholly foreign-owned enterprise (“WFOE”) with limited liability on November 21, 2016. Qianhai Porter was set up by PPBGL. Qianhai Porter was incorporated to control the shareholders’ voting interests in Portercity and become the primary beneficiary of Portercity and its wholly owned subsidiaries, Porter E-Commerce, Porter Consulting and Porter Commercial.

Portercity was held by Mr. Zonghua Chen (brother of Mr. Zongjian Chen) and Ms. Xiaomei Xiong (spouse of Mr. Zongjian Chen) on behalf of other investors, including Mr. Zonghua Chen himself and Mr. Maozi Cong.

On December 15, 2016, Qianhai Porter, Portercity and the Shareholders of Portercity entered into the abovementioned VIE Agreements, pursuant to which the Company has contractual rights to control and operate the businesses of Portercity and its wholly owned subsidiaries. The change in control of Portercity and the acquisition of PPBGL by PGL have been accounted for as common control transactions in a manner similar to a pooling of interests and there was no recognition of any goodwill or excess of the acquirers’ interest in the net fair value of the acquirees’ identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combinations. Therefore, these transactions were recorded at historical cost with a reclassification of equity from retained profits to additional paid in capital to reflect the deemed value of consideration given in the local jurisdiction and the capital structure of Portercity. The consolidated financial statements of the Company include all of the accounts of the Company and its subsidiaries, PPBGL and Qianhai Porter and VIE Entities (except for Porter Consulting, as explained below) for all periods presented. All material intercompany transactions and balances have been eliminated in the consolidation.

On December 1, 2016, Portercity acquired a 100% equity interest in Porter Consulting from Shenzhen Porter Holdings Limited, for a cash consideration of \$144,154 (RMB1,000,000). The consideration was credited against the amount due to Shenzhen Porter Holdings Limited as fully paid.

On December 16, 2016, the Company entered into a share purchase agreement (the “Purchase Agreement”) with PGL to acquire all the issued and outstanding shares of PGL. Under the terms of the Purchase Agreement, the Company agreed to issue 500,000,000 shares of its common stock to the owners of PGL (“the share exchange”). Pursuant to the terms of the Purchase Agreement, the Company issued 500,000,000 shares of the Company’s common stock to the shareholders of PGL on January 10, 2017, among which, 30,000,000 shares were issued to our Chief Executive Officer, President and Chairman, Mr. Zonghua Chen and 15,000,000 shares issued to our director, Mr. Maozi Cong. All 500,000,000 shares issued in January 2017 pursuant to the Purchase Agreement were held in escrow and deemed to be in the full control of ULNV until the closing.

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On April 7, 2017, ULNV filed a Current Report on Form 8-K with the Securities and Exchange Commission (“SEC”) announcing the completion of a business combination between ULNV and PGL in accordance with the terms of the Purchase Agreement. As a result of the transaction, PGL became a wholly-owned subsidiary of ULNV and the shareholders of PGL became the holders of approximately 98.4% of ULNV’s issued and outstanding capital stock on a fully-diluted basis. For financial accounting purposes, the share exchange is accounted for as a reverse acquisition by PGL, and resulted in a recapitalization, with PGL, being the accounting acquirer and the Company, as the acquired entity (accounting acquiree). The accompanying consolidated financial statements are in substance those of PGL, with the assets and liabilities, and revenues and expenses, of the Company being included effective from the date of the reverse acquisition. The Company is deemed to be a continuation of the business of PGL.

Accordingly, the accompanying consolidated financial statements include the following:

- (1) the balance sheet consists of the net assets of the accounting acquirer at historical cost and the net assets of the accounting acquiree at historical cost;
- (2) the financial position, results of operations, and cash flows of the accounting acquirer for all periods presented as if the recapitalization had occurred at the beginning of the earliest period presented and the operations of the accounting acquiree from the date of share exchange transaction.

On April 7, 2017, the Company changed its fiscal year end from February 28 to December 31. This change is being effectuated in connection with the aforementioned reverse acquisition transaction.

In May 2017, the Company’s name was changed from Uni Line Corp. to Porter Holding International, Inc. to more accurately reflect its new business.

On June 28, 2018, Portercity and Mr. Zhibo Mao established Weifang Porter City Commercial Management Company Limited (“Weifang Portercity”) in Weifang, Shandong Province, the PRC, with a registered capital of RMB1 million (\$0.1 million), which should be paid up by December 31, 2028. Portercity and Mr. Zhibo Mao hold 60% and 40% equity interest in Weifang Portercity, respectively. Weifang Portercity engages in the business of providing various consulting services to its clients, especially to those who have the intention to be publicly listed in the stock exchanges in the United States and other countries.

Porter Perspective Business Group Limited (“PPBGL”) was incorporated in Hong Kong by Mr. Zongjian Chen on September 21, 2016 as a company with limited liability. PPBGL is currently engages in investment holding and trading of cosmetic products. Mr. Zongjian Chen held all the ordinary shares of PPBGL on behalf of the original investors of Portercity.

After the reverse acquisition, the Company and its subsidiaries and VIE entities (collectively referred to as the “Company”) focus its business as an innovative O2O (Online to Offline) business platform operator covering both online E-commerce and offline commercial chain entity of three dimensional synchronous operation together with integrated comprehensive services for merchant clients, service income from organizing and delivering an event and forum, and third-party payment service. Starting from the second quarter of 2018, the Company provides investment and corporate management consulting services to its clients.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”)

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Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company records an accumulated deficit of \$1,626,596 as of December 31, 2018, and it currently has net working capital deficit of \$706,481. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The ability to continue as a going concern is dependent upon the Company generating profitable operations in the future and/or obtaining the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they become due. The Company may have to rely on additional debt financing, loans from existing directors and shareholders and private placements of capital stock for additional funding. There can be no assurance that the Company will be successful in its plans described above or in attracting equity or alternative financing on acceptable terms, or if at all.

These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Use of Estimates

The preparation of these consolidated financial statements in conformity with U.S. GAAP requires management of the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. On an on-going basis, the Company evaluates its estimates based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Identified below are the accounting policies that reflect the Company's most significant estimates and judgments, and those that the Company believes are the most critical to fully understanding and evaluating its consolidated financial statements.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries and consolidated VIEs. All significant inter-company balances and transactions have been eliminated upon consolidation.

A subsidiary is an entity in which (i) the Company directly or indirectly controls more than 50% of the voting power; or (ii) the Company has the power to appoint or remove the majority of the members of the board of directors or to cast a majority of votes at the meeting of the board of directors or to govern the financial and operating policies of the investee pursuant to a statute or under an agreement among the shareholders or equity holders.

VIE Consolidation

The Company's VIEs with the exception of Weifang Portercity, are wholly owned by Mr. Zonghua Chen and Ms. Xiaomei Xiong as nominee shareholders. For the consolidated VIEs, management made evaluations of the relationships between the Company and the VIEs and the economic benefit flow of contractual arrangements with the VIEs. In connection with such evaluation, management also took into account the fact that, as a result of such contractual arrangements, the Company controls the shareholders' voting interests in these VIEs. As a result of such evaluation, management concluded that the Company is the primary beneficiary of its consolidated VIEs.

PRC laws and regulations prohibit or restrict foreign ownership of companies that operate Internet information and content, Internet access, online games, mobile, value added telecommunications and certain other businesses in which the Company is engaged or could be deemed to be engaged. Consequently, the Company conducts certain of its operations and businesses in the PRC through its VIEs. The Company consolidates in its consolidated financial statements all of the VIEs of which the Company is the primary beneficiary.

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The following financial information of the Company's consolidated VIEs (including subsidiaries of VIEs) is included in the accompanying consolidated financial statements:

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 524,115	\$ 163,083
Accounts receivable, net	726,912	30,064
Prepayments and other receivables	30,961	163,498
Amounts due from related parties	-	-
Total current assets	<u>1,281,988</u>	<u>356,645</u>
NON-CURRENT ASSETS		
Long term rental deposit	36,625	38,538
Long term prepayment	2,860	-
Property, plant and equipment, net	65,759	11,190
Intangible assets, net	<u>30,967</u>	<u>36,747</u>
Total non-current assets	136,211	86,475
TOTAL ASSETS	<u>\$ 1,418,199</u>	<u>\$ 443,120</u>
CURRENT LIABILITIES		
Accounts payable	7,139	40,757
Accruals and other payables	160,120	60,041
Income tax payable	128,174	694
Amount due to Qianhai Porter	-	575,602
Amounts due to shareholders of the Company	1,593,628	949,493
Amounts due to related parties	<u>179,017</u>	<u>1,411,547</u>
TOTAL LIABILITIES	<u>\$ 2,068,078</u>	<u>\$ 3,038,134</u>
	<u>2018</u>	<u>2017</u>
Net revenue	\$ 3,447,578	\$ 1,689,768
Net income (loss)	<u>\$ 1,737,035</u>	<u>\$ (1,087,334)</u>
	<u>2018</u>	<u>2017</u>
Net cash provided by (used in) operating activities	\$ 1,356,729	\$ (1,026,167)
Net cash (used in) provided by investing activities	(70,803)	176,752
Net cash (used in) provided by financing activities	<u>\$ (901,802)</u>	<u>\$ 735,218</u>

Revenue Recognition

In May 2014 the FASB issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes all existing revenue recognition requirements, including most industry specific guidance. This new standard requires a company to recognize revenues when it transfers goods or services to customers in an amount that reflects the consideration that the company expects to receive for those goods or services. The FASB subsequently issued the following amendments to ASU No. 2014-09 that have the same effective date and transition date: ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations; ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing; ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients; and ASU No. 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers. The Company adopted these amendments with ASU 2014-09 (collectively, the new revenue standards).

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The new revenue standards became effective for the Company on January 1, 2018, and were adopted using the modified retrospective method. The adoption of the new revenue standards as of January 1, 2018 did not change the Company's revenue recognition as the majority of the Company's revenues continue to be recognized when the customer takes control of its product or services. As the Company did not identify any accounting changes that impacted the amount of reported revenues with respect to its service revenues, no adjustment to accumulated deficit was required upon adoption.

Under the new revenue standards, the Company recognizes revenues when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. The Company recognizes revenues following the five step model prescribed under ASU No. 2014-09: (i) identify contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenues when (or as) the Company satisfies the performance obligation.

Revenues are recognized when control of the promised goods or services is transferred to the Company's customers, which may occur at a point in time or over time depending on the terms and conditions of the agreement, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

The Company via Porter Consulting earned commissions of \$153,693 and \$333,353 for the years ended December 31, 2018 and 2017, respectively, primarily from a third-party payment service provider when China UnionPay card transactions are completed and settled. Revenue related to commissions is recognized in the income statement at the time when the underlying transaction is completed.

The third-party payment provider is a China UnionPay card acquiring institution and earns processing fees from China UnionPay card transactions. The Company via Porter Consulting promotes the payment service of the third-party payment service provider to merchants in Shenzhen and shares a portion of the processing fees earned by the third-party payment service provider from China UnionPay, as commission.

Service income from organizing and delivering an event and forum to the Company's merchant clients in May 2017, totaled \$1,315,721 for the year ended December 31, 2017, is recognized when the service is performed. No such income was earned in 2018.

Starting from the second quarter of 2018, the Company via Portercity provides various consulting services to its clients, especially to those who have the intention to be publicly listed in the stock exchanges in the United States and other countries. The Company categorizes its consulting services into three phases:

Phase I consulting services primarily include due diligence review, market research and feasibility study, business plan drafting, accounting record review, and business analysis and recommendations etc. Management estimates that Phase I normally takes around three months to complete based on its past experiences.

Phase II consulting services primarily include reorganization, pre-listing education and tutoring, talent search, legal and audit firm recommendation and coordination, VIE contracts and other public-listing related documents review, merger and acquisition planning, investor referral and pre-listing equity financing source identification and recommendation, independent directors and audit committee candidates recommendation etc. Management estimates that Phase II normally takes about five months to complete based its past experiences.

Phase III consulting services primarily include shell company identification and recommendation for customers expecting to become publicly listed through reverse merger transaction; assistance in preparation of customers' registration statement under IPO transactions or Form 8-K under reverse merger transactions; assistance in answering comments and questions received from regulatory agencies etc. Management believes it is very difficult to estimate the timing of this phase of service as the completion of Phase III services is not within the Company's control.

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Under ASC Topic 606, in order to recognize revenue, the Company is required to identify an approved contract with commitments to perform respective obligations, identify rights of each party in the transaction regarding goods to be transferred, identify the payment terms for the goods transferred, verify that the contract has commercial substance and verify that collection of substantially all consideration is probable. Each phase of consulting services is standalone and fees associated with each phase are usually clearly identified in service agreements. Revenue from providing Phase I and Phase II consulting services to customers is recognized based on the output methods, including surveys of performance completed to date or milestones reached of each phase only when the Company has an enforceable right to payment for performance completed to date. Otherwise, such revenue is recognized at a point in time when services are delivered and accepted by customers. Revenue from providing Phase III consulting services to customers is recognized upon completion of reverse merger transaction or IPO transaction, which is evidenced by filing of 8-K for reverse merger transaction or receipt of effective notice from regulatory agencies for IPO transaction. Revenue that has been billed and not yet recognized is reflected as deferred revenue on the consolidated balance sheets.

Depending on the complexity of the underlying service arrangement and related terms and conditions, significant judgments, assumptions and estimates may be required to determine when substantial delivery of contract elements has occurred, whether any significant ongoing obligations exist subsequent to contract execution, whether amounts due are collectible and the appropriate period or periods in which, or during which, the completion of the earnings process occurs. Depending on the magnitude of specific revenue arrangements, adjustment may be made to the judgments, assumptions and estimates regarding contracts executed in any specific period. Service income from consulting services, totaled \$3,279,074 for the year ended December 31, 2018, is recognized when the service is performed.

In accordance with ASC 606, the Company evaluates whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned by PPBGL as commissions. When the Company is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices and selecting suppliers, or has several but not all of these indicators, revenues should be recorded on a gross basis. When the Company is not the primary obligor, does not bear the inventory risk and does not have the ability to establish the price, revenues are recorded on a net basis. During the year ended December 31, 2018, the Company determined that it is not the primary obligor in its cosmetic trading business and recognized a net revenue of \$6,669, when control of the products has transferred, being at the point the products are delivered to the customer and the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Practical expedients and exemption

The company had no occurred any costs to obtain contracts, and do not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.

Other service income is earned when services have been rendered.

Revenue by major product line

	<u>2018</u>	<u>2017</u>
Investment and corporate management consulting services	\$ 3,279,074	\$ -
Service income from organizing and delivering an event and forum	-	1,315,721
Third-party payment service	153,693	333,353
Cosmetic trading business	6,669	-
Other	14,811	52,903
	<u>\$ 3,454,247</u>	<u>\$ 1,701,977</u>

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Revenue by recognition over time vs point in time

	<u>2018</u>	<u>2017</u>
Revenue by recognition over time	\$ 3,279,074	\$ -
Revenue by recognition at a point in time	175,173	1,701,977
	<u>\$ 3,454,247</u>	<u>\$ 1,701,977</u>

Taxation

Income taxes are accounted for using an asset and liability approach which requires the recognition of income taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Deferred income taxes are determined based on the differences between the accounting basis and the tax basis of assets and liabilities and are measured using the currently enacted tax rates and laws (refer to the header "Tax Cuts and Jobs Act" in Note 9 to the consolidated financial statements for further discussion on the impact to the enacted tax laws in 2017). Deferred tax assets are reduced by a valuation allowance, if based on available evidence, it is considered that it is more likely than not that some portion of or all of the deferred tax assets will not be realized. In making such determination, the Company considers factors including future reversals of existing taxable temporary differences, future profitability, and tax planning strategies. If events were to occur in the future that would allow the Company to realize more of its deferred tax assets than the presently recorded net amount, an adjustment would be made to the deferred tax assets that would increase income for the period when those events occurred. If events were to occur in the future that would require the Company to realize less of its deferred tax assets than the presently recorded net amount, an adjustment would be made to the valuation allowance against deferred tax assets that would decrease income for the period when those events occurred. Significant management judgment is required in determining income tax expense and deferred tax assets and liabilities.

The Company's deferred tax assets relate to ULNV's net operating losses in the U.S. and net operating losses and temporary differences between accounting basis and tax basis for its China-based subsidiaries and VIEs, which are subject to corporate income tax in the PRC under the PRC Corporate Income Tax Law (the "CIT Law").

Uncertain Tax Positions

Management reviews regularly the adequacy of the provisions for taxes as they relate to the Company's income and transactions. In order to assess uncertain tax positions, the Company applies a more likely than not threshold and a two-step approach for tax position measurement and financial statement recognition. For the two-step approach, the first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon settlement.

According to the PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer or its withholding agent. The statute of limitations extends to five years under special circumstances, which are not clearly defined. In the case of a related party transaction, the statute of limitations is ten years. There is no statute of limitations in the case of tax evasion.

In January 2018, the SEC staff issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act ("SAB 118") to provide guidance for companies that have not completed their accounting for the income tax effects of the 2017 Tax Act in the period of enactment. Specifically, SAB 118 states that companies that have not completed accounting for the effects of the 2017 Tax Act by financial reporting deadlines may report provisional amounts based on reasonable estimates for items for which the accounting is incomplete. Those provisional amounts will be subject to adjustment during a measurement period that begins in the reporting period that includes the 2017 Tax Act's enactment date and ends when a company has obtained, prepared and analyzed the information needed to complete the accounting requirements under ASC 740 Income Taxes. The measurement period should not extend beyond one year from the enactment date. Furthermore, SAB 118 states that if a company cannot make a reasonable estimate for an income tax effect, it should not account for that effect until it can make such an estimate.

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One-time transitional tax. As part of the 2017 Tax Act, total foreign earnings and profits (“E&P”) after 1986, that were previously deferred from U.S. federal taxation, are subject to a one-time tax on the mandatory deemed repatriation of foreign earnings. The Company’s provisional analysis of the one-time transition tax resulted in no additional taxes being owed due to the overall accumulated E&P deficit for the income tax purpose.

The Company has determined that we cannot make a reasonable estimate of the income tax effect with respect to global intangible low taxed income (GILTI) provisions of the 2017 Tax Act. The GILTI provisions allow companies to make an accounting policy election to either (i) account for GILTI as a component of tax expense in the period in which the entity is subject to the rules or (ii) account for GILTI in the entity’s measurement of deferred taxes. Refer to the Note 9 – “Income Taxes” for further discussion on the impact of tax laws enacted during 2017.

Foreign Currency and Foreign Currency Translation

The functional currency of the Company and PGL is the United States dollar (“US dollar”). The functional currency of the PPBGL is the Hong Kong dollar. The Company’s subsidiary and VIEs with operations in PRC uses the local currency, the Chinese Yuan (“RMB”), as their functional currencies. An entity’s functional currency is the currency of the primary economic environment in which it operates, normally that is the currency of the environment in which the entity primarily generates and expends cash. Management’s judgment is essential to determine the functional currency by assessing various indicators, such as cash flows, sales price and market, expenses, financing and inter-company transactions and arrangements.

Foreign currency transactions denominated in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are re-measured at the applicable rates of exchange in effect at that date. Gains and losses resulting from foreign currency re-measurement are included in the statements of comprehensive loss.

The consolidated financial statements are presented in U.S. dollars. Assets and liabilities are translated into U.S. dollars at the current exchange rate in effect at the balance sheet date, and revenues and expenses are translated at the average of the exchange rates in effect during the reporting period. Stockholders’ equity accounts are translated using the historical exchange rates at the date the entry to stockholders’ equity was recorded, except for the change in retained earnings during the period, which is translated using the historical exchange rates used to translate each period’s income statement. Differences resulting from translating functional currencies to the reporting currency are recorded in accumulated other comprehensive income in the consolidated balance sheets.

Translation of amounts from RMB into U.S. dollars has been made at the following exchange rates:

Balance sheet items, except for equity accounts	
December 31, 2018	RMB6.8755 to \$1
December 31, 2017	RMB6.5342 to \$1
Income statement and cash flows items	
For the year ended December 31, 2018	RMB6.6090 to \$1
For the year ended December 31, 2017	RMB6.7518 to \$1

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and at banks and highly liquid investments, which are unrestricted from withdrawal or use, and which have original maturities of three months or less when purchased.

Accounts Receivable, Net

The carrying value of accounts receivable is reduced by an allowance that reflects the Company’s best estimate of the amounts that will not be collected. The Company makes estimations of the collectability of accounts receivable. Many factors are considered in estimating the general allowance, including reviewing delinquent accounts receivable, performing an aging analysis and a customer credit analysis, and analyzing historical bad debt records and current economic trends.

The adoption of the new revenue standards did not change the Company’s historical accounting methods for its accounts receivable.

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Long-Lived Assets

Long-lived assets consist primarily of property, plant and equipment and intangible assets.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

	Estimated useful lives (years)
Office and computer equipment	3-5

Expenditure for maintenance and repairs is expensed as incurred.

The gain or loss on the disposal of property, plant and equipment is the difference between the net sales proceeds and the lower of the carrying value or fair value less cost to sell the relevant assets and is recognized in general and administrative expenses in the consolidated statements of comprehensive loss.

Intangible Assets

Intangible assets mainly comprise domain names and trademarks. Intangible assets are recorded at cost less accumulated amortization with no residual value. Amortization of intangible assets is computed using the straight-line method over their estimated useful lives.

The estimated useful lives of the Company's intangible assets are listed below:

	Estimated useful lives (years)
Domain names and trademarks	10

Impairment of Long-lived Assets

In accordance with ASC 360-10-35, the Company reviews the carrying values of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Based on the existence of one or more indicators of impairment, the Company measures any impairment of long-lived assets using the projected discounted cash flow method at the asset group level. The estimation of future cash flows requires significant management judgment based on the Company's historical results and anticipated results and is subject to many factors. The discount rate that is commensurate with the risk inherent in the Company's business model is determined by its management. An impairment loss would be recorded if the Company determined that the carrying value of long-lived assets may not be recoverable. The impairment to be recognized is measured by the amount by which the carrying values of the assets exceed the fair value of the assets. No impairment has been recorded by the Company as of December 31, 2018 and 2017.

Net earnings (loss) per share of common stock

The Company has adopted ASC Topic 260, "Earnings per Share," ("EPS") which requires presentation of basic EPS on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation. In the accompanying financial statements, basic loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period.

	2018	2017
Net income (loss) attributable to Porter Holding International, Inc.	\$ 1,406,842	(1,508,658)
Weighted average number of common shares outstanding - basic and diluted	508,110,000	508,110,000
Basic and diluted earnings (loss) per share	\$ -*	\$ -*

* Less than \$0.01 per share

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The Company has no potentially dilutive securities, such as options or warrants, currently issued and outstanding as of December 31, 2018, and 2017.

Segments

The Company evaluates a reporting unit by first identifying its operating segments, and then evaluates each operating segment to determine if it includes one or more components that constitute a business. If there are components within an operating segment that meets the definition of a business, the Company evaluates those components to determine if they must be aggregated into one or more reporting units. If applicable, when determining if it is appropriate to aggregate different operating segments, the Company determines if the segments are economically similar and, if so, the operating segments are aggregated. The Company has only one major reportable segment in the periods presented while the remaining segments collectively consists of less than 10% of the revenue.

Fair Value of Financial Instruments

U.S. GAAP establishes a three-tier hierarchy to prioritize the inputs used in the valuation methodologies in measuring the fair value of financial instruments. This hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three-tier fair value hierarchy is:

Level 1 – observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – include other inputs that are directly or indirectly observable in the market place.

Level 3 – unobservable inputs which are supported by little or no market activity.

The carrying value of the Company's financial instruments, including cash and cash equivalents, accounts and other receivables, other current assets, accounts and other payables, and other short-term liabilities approximate their fair value due to their short maturities.

In accordance with ASC 825, for investments in financial instruments with a variable interest rate indexed to performance of underlying assets, the Company elected the fair value method at the date of initial recognition and carried these investments at fair value. Changes in the fair value are reflected in the consolidated statements of comprehensive income (loss) as other income/ (expense). To estimate fair value, the Company refers to the quoted rate of return provided by banks at the end of each period using the discounted cash flow method. The Company classifies the valuation techniques that use these inputs as Level 2 of fair value measurements.

As of December 31, 2018 and 2017, the Company's investments in financial instruments were \$nil. The investments were issued by commercial banks in China, and have a variable interest rate indexed to performance of underlying assets. Since these investments have no pre-determined period of maturity, they are classified as short-term investments.

Gain derived from disposal of short-term investments was \$nil and \$7,865 for the years ended December 31, 2018 and 2017, respectively. Gain on short-term investments was included in other income (expense) in the accompanying consolidated statements of operations.

Recently issued accounting pronouncements

On February 25, 2016, the FASB issued ASU No. 2016-02 ("ASU 2016-02"), Leases. ASU 2016-02 specifies the accounting for leases. For operating leases, ASU 2016-02 requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its balance sheet. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. In addition, this standard requires both lessees and lessors to disclose certain key information about lease transactions. ASU 2016-02 is effective for public companies for annual reporting periods, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. Management is currently assessing the potential impact of adopting this standard on the Company's consolidated financial statements.

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In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326), which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early application will be permitted for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company does not expect this standard to have a material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business, which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company has adopted the guidance effective January 1, 2018. The Company will evaluate the impact of adopting this standard prospectively upon any transactions of acquisitions or disposals of assets or businesses.

In January 2017, the FASB issued ASU No. 2017-04, Simplifying the Test for Goodwill Impairment. The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The guidance should be adopted on a prospective basis for the annual or any interim goodwill impairment tests beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company does not expect this standard to have a material impact on its consolidated financial statements.

In March 2018, the FASB issued guidance relative to Income Taxes (Topic 740) that adds various Securities and Exchange Commission ("SEC") paragraphs pursuant to the issuance of the December 2017 SEC Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act ("SAB 118"), which was effective immediately. The SEC issued SAB 118 to address concerns about reporting entities' ability to timely comply with the accounting requirements to recognize all of the effects of the Tax Cuts and Jobs Act (the "Tax Act") in the period of enactment. For the years ended December 31, 2018. The adoption of this guidance did not have a significant impact on our consolidated financial statements.

On June 20, 2018, the FASB issued ASU No. 2018-07, Compensation—Stock Compensation (Topic 718) - Improvements to Nonemployee Share-Based Payment Accounting, which aligns the accounting for share-based payment awards issued to employees and nonemployees. Under ASU No. 2018-07, the existing employee guidance will apply to nonemployee share-based transactions (as long as the transaction is not effectively a form of financing), with the exception of specific guidance related to the attribution of compensation cost. The cost of nonemployee awards will continue to be recorded as if the grantor had paid cash for the goods or services. In addition, the contractual term will be able to be used in lieu of an expected term in the option-pricing model for nonemployee awards. The new standard is effective for us on January 1, 2019. Early adoption is permitted, including in interim periods, and should be applied to all new awards granted after the date of adoption. The Company does not expect this guidance will have a material impact on its consolidated financial statements.

In August 2018, the FASB Accounting Standards Board issued ASU No. 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework Changes to the Disclosure Requirements for Fair Value Measurement" ("ASU 2018-13"). ASU 2018-13 modifies the disclosure requirements on fair value measurements. ASU 2018-13 is effective for public entities for fiscal years beginning after December 15, 2019, with early adoption permitted for any removed or modified disclosures. The removed and modified disclosures will be adopted on a retrospective basis and the new disclosures will be adopted on a prospective basis. The Company does not expect this guidance will have a material impact on its consolidated financial statements.

In August 2018, the SEC issued Release No. 33-10532 that amends and clarifies certain financial reporting requirements. The principal change to our financial reporting will be the inclusion of the annual disclosure requirement of changes in stockholders' equity in Rule 3-04 of Regulation S-X to interim periods. The Company will adopt this new rule beginning with our financial reporting for the quarter ending March 31, 2019. Upon adoption, the company will include our Consolidated Statements of Stockholders' Equity with each quarterly filing on Form 10-Q.

Except for the above-mentioned pronouncements, there are no new recent issued accounting standards that will have material impact on the consolidated financial position, statements of operations and cash flows.

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Reclassification

Certain reclassifications have been made to prior year amounts to conform with the current year presentation. None of the reclassifications has any effect on previously reported earnings, cash flows and values of total assets and liabilities.

3. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments and other receivables consist of the following:

	<u>2018</u>	<u>2017</u>
Prepaid office rental	\$ -	\$ 38,538
Prepaid operating expenses	9,027	22,399
Prepaid service expenses	-	78,352
Advances to employees	19,152	16,624
Others	2,985	7,939
	<u>\$ 31,164</u>	<u>\$ 163,852</u>

4. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consist of the following:

	<u>2018</u>	<u>2017</u>
Office and computer equipment	\$ 190,605	\$ 128,870
Less: Accumulated depreciation	(123,010)	(117,680)
	<u>\$ 67,595</u>	<u>\$ 11,190</u>

Depreciation expenses charged to the statements of operations for the years ended December 31, 2018 and 2017 were \$13,740 and \$1,475, respectively.

5. INTANGIBLE ASSETS, NET

Intangible assets, net, consist of the following:

	<u>2018</u>	<u>2017</u>
Domain names and trademarks	\$ 40,251	\$ 42,354
Less: Accumulated amortization	(9,284)	(5,607)
	<u>\$ 30,967</u>	<u>\$ 36,747</u>

Amortization charged to the statements of operations for the years ended December 31, 2018 and 2017 were \$4,119 and \$2,402, respectively.

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6. ACCRUALS AND OTHER PAYABLES

Accruals and other payables consist of the following:

	<u>2018</u>	<u>2017</u>
Salary payables	\$ 89,112	\$ 66,907
Accrued professional fees	53,965	53,965
VAT payables	-	1,596
Advance from customers	27,826	-
Advance from employees	-	51,190
Rental expenses	43,601	-
Others	54	12,729
	<u>\$ 214,558</u>	<u>\$ 186,387</u>

The advance from employee is interest-free, unsecured and repayable on demand.

7. BALANCES WITH RELATED PARTIES

	<u>Note</u>	<u>2018</u>	<u>2017</u>
Due to related companies			
Shenzhen Porter Holdings Limited	(a)	\$ -	\$ 1,215,354
Liaoning Northeast Asia Porter City Investment Limited	(b)	183,545	196,193
		<u>\$ 183,545</u>	<u>\$ 1,411,547</u>
Due to shareholders			
Mr. Zonghua Chen (the Company's Chairman, Chief Executive Officer, Chief Financial Officer and President)		\$ 1,338,336	\$ 859,924
Mr. Zongjian Chen (brother of Mr. Zongjian Chen)		269,844	104,152
Ms. Xiaofang Huang (director of Porter Investment Limited)		51,082	-
		<u>\$ 1,659,262</u>	<u>\$ 964,076</u>

(a) Mr. Zongjian Chen is the Chairman and 60% shareholder of Shenzhen Porter Holdings Limited

(b) Mr. Zonghua Chen is a supervisor and Mr. Zongjian Chen a 45% shareholder of Liaoning Northeast Asia Porter City Investment Limited

All the above balances are interest-free and unsecured. These related companies and shareholders have agreed not to demand repayment until the Company is financially capable to do so.

On October 1, 2017, Portercity transferred a domain name to Shenzhen Porter Holdings Limited at a cash consideration of \$10,190.

On December 19, 2017, Shenzhen Porter Holdings Limited transferred four trademarks to Portercity at a cash consideration of \$17,773.

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8. PREFERRED STOCK AND COMMON STOCK

On January 24, 2014, the Company issued 6,000,000 shares of common stock to a director for cash proceeds of \$6,000 at \$0.001 per share.

As of February 28, 2015, the Company issued 2,110,000 shares of common stock to 28 shareholders for cash proceeds of \$21,088 at \$0.01 per share.

On December 19, 2016, the shareholders of the Company approved an increase to the number of authorized shares from 75,000,000 shares to 750,000,000 shares and added 250,000,000 shares of preferred stock, par value \$0.001 per share. The board of directors of the Company is authorized to provide for the issuance of preferred stock in series, with such designations, preferences and relative participating, optional or other special rights and qualifications, limitations or restrictions thereof. The Company filed a Certificate of Amendment with the State of Nevada, effective on December 20, 2016, increasing the number of authorized shares from 75,000,000 shares to 750,000,000 shares and adding a new class of 250,000,000 shares of preferred stock, par value \$0.001 per share.

In January 2017, 500,000,000 shares of common stock were issued pursuant to the Purchase Agreement (Note 1) and were held in escrow and deemed to be in the full control of ULNV until the closing.

9. INCOME TAXES

The Company is subject to income taxes on an entity basis on income arising in or derived from the tax jurisdiction in which each entity is domiciled.

ULNV is incorporated in the State of Nevada and is subject to the U.S. federal tax and has incurred net operating loss for income tax purposes through December 31, 2018. As of December 31, 2018, future net operating losses of approximately \$45,437 from ULNV are available to offset future taxable income through 2038. Accumulated deficit as of December 31, 2018 and 2017 was approximately \$1.6 million and \$3.0 million, respectively.

Recent U.S. federal tax legislation, commonly referred to as the Tax Cuts and Jobs Act (the “U.S. Tax Reform”), was signed into law on December 22, 2017 and complex changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax rate to a flat rate of 21% for periods after December 31, 2017 and (2) requiring a one-time transition tax on certain un-repatriated earnings of foreign subsidiaries that is payable over eight years. As a result of the reduction of the corporate tax rate to 21%, U.S. GAAP require companies to re-value their deferred tax assets and liabilities as of the date of enactment, with resulting tax effects accounted for in the reporting period of enactment. As a result of this revaluation, the Company reduced its pre-valuation allowance deferred tax asset by \$21 in the year ended December 31, 2017, with a corresponding decrease in the valuation allowance on its net deferred tax assets. The Company has no unrepatriated earnings in any of its foreign subsidiaries as they incurred losses since inception.

The 2017 Tax Act also created a new requirement that, for the periods beginning after January 1, 2018, certain income (referred to as global intangible low taxed income or “GILTI”) earned by foreign subsidiaries in excess of a deemed return on tangible assets of foreign corporations must be included in U.S. taxable income. The GILTI income is eligible for a deduction, which lowers the effective tax rate to 10.5% for calendar years 2018 through 2025 and 13.125% after 2025. Under U.S. GAAP, companies are allowed to make an accounting policy election to either (i) account for GILTI as a component of tax expense in the period in which a company is subject to the rules – the period cost method, or (ii) account for GILTI in a company’s measurement of deferred taxes – the deferred method. The Company elected to account for GILTI in the period the tax is incurred. The Company did not generate any GILTI during the year ended December 31, 2018.

PGL is registered as an international business company and is exempted from corporation tax in Seychelles.

PPBGL is subject to Hong Kong profits tax rate of 16.5% and did not have any assessable profits arising in or derived from Hong Kong and accordingly no provision for Hong Kong profits tax was made in this period.

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PRC Tax

The Company's subsidiary and consolidated VIEs in China are subject to corporate income tax ("CIT") at 25% for the years ended December 31, 2018 and 2017. As of December 31, 2018, the Company had approximately \$2.6 million of net operating loss carried forward from the foreign subsidiaries which will expire in various years through 2023.

The Ministry of Finance ("MOF") and State Administration of Taxation ("SAT") on June 9, 2017 jointly issued Cai Shui 2017 No. 43. This clarified that from January 1, 2017 to December 31, 2019, eligible small enterprises whose taxable income falls under RMB500,000 (previously RMB300,000), may pay CIT on 50% of their whole income at a rate of 20% (i.e., effective rate is 10%).

Separately, the SAT on the same day issued Announcement 2017 No. 23 ("Announcement No. 23") further clarifying CIT collection matters:

- Eligible small enterprise, no matter whether they are subject to CIT on an accounts assessment basis or on a deemed income basis, are entitled to enjoy this preferential CIT treatment.
- Eligible small enterprises may enjoy this preferential tax treatment just by completing the relevant information in the tax filing form when they prepay CIT and perform CIT annual filing. No special record is required.
- Announcement No. 23 clarifies that small enterprises shall prepay CIT on a quarterly basis. It also provides clarifications on how to apply this preferential CIT treatment in relation to small enterprise CIT prepayments in the following situations:
 - A small enterprise subject to CIT on an accounts assessment basis, or on a fixed rate basis, or on a fixed amount basis;
 - An enterprise which was not qualified for small enterprise treatment in the prior tax year but which expects to be qualified in the current tax year;
 - An enterprise which is newly set up in the current year and expects to be qualified for small enterprise treatment in the same year.
- Where a small enterprise has claimed the incentives at the time of prepayment, but is not qualified for small enterprise when performing CIT annual filing, the enterprise shall make a retroactive tax payment.

Porter Consulting enjoyed the above preferential policy on its profits in fiscals 2017 and 2018.

A reconciliation of the income tax expense determined at the statutory income tax rate of 21% to the Company's income taxes is as follows:

	2018	2017
Income (loss) before income taxes	\$ 1,404,388	\$ (1,508,802)
United States statutory income tax rate	21%	34%
Income tax expense (benefit) computed at statutory corporate income tax rate	294,921	(512,993)
Reconciling items:		
Effect of different tax jurisdictions	73,737	135,778
Non-deductible expenses	2,357	83,808
Effect of tax exemption granted to Porter Consulting	-	2,193
Provisional re-measurement of deferred taxes – TCJ Act	-	21
Change in valuation allowance	(371,015)	291,049
Income tax (benefit) expense	\$ -	\$ (144)

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The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of December 31, 2018 and 2017 are presented below:

	December 31,	
	2018	2017
	<hr/>	<hr/>
Deferred tax assets:		
Net operating loss carryforwards:		
- United States of America	\$ 9,542	\$ 35
- Hong Kong	10,973	-
- PRC	<hr/> 633,403	<hr/> 1,024,898
	653,918	1,024,933
Less: Valuation allowance	<hr/> (653,918)	<hr/> (1,024,933)
	<hr/> <hr/> \$ -	<hr/> <hr/> \$ -

Management believes that it is more likely than not that the Company will not realize these potential tax benefits as these operations will not generate any operating profits in the foreseeable future. As a result, a valuation allowance was provided against the full amount of the potential tax benefits.

10. CHINA CONTRIBUTION PLAN

The Company's subsidiaries and consolidated VIEs in China participate in a government-mandated multi-employer defined contribution plan pursuant to which certain retirement, medical and other welfare benefits are provided to employees. Chinese labor regulations require the Company's subsidiaries and consolidated VIEs to pay to the local labor bureau a monthly contribution at a stated contribution rate based on the monthly compensation of qualified employees. The relevant local labor bureau is responsible for meeting all retirement benefit obligations; the Company's China-based subsidiaries and consolidated VIEs have no further commitments beyond their monthly contributions. For the years ended December 31, 2018 and 2017, the Company's China based subsidiaries and consolidated VIEs contributed a total of \$48,309 and \$23,578, respectively, to these funds.

11. COMMITMENTS AND CONTINGENCIES

Capital Commitments

As of December 31, 2018, Company did not have any capital commitments.

Lease Commitments

On November 27, 2017, the Company has entered into a lease for office space located in Shenzhen, China for the period from December 1, 2017 to February 28, 2023, at RMB125,906 (\$18,312) per month, with a rent free period from December 1, 2017 to February 28, 2018.

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The total future minimum lease payments under the non-cancellable operating lease with respect to the office as of December 31, 2018 are payable as follows:

12 months ending December 31,	
2019	\$ 219,748
2020	219,748
2021	219,748
2022	219,748
2023	36,625
Total	<u>\$ 915,617</u>

Rental expense of the Company was \$222,048 and \$70,273 for the years ended December 31, 2018 and 2017, respectively.

12. CONCENTRATIONS AND CREDIT RISK

(a) Concentrations

In the year ended December 31, 2018, 3 customers each accounted for 41%, 28% and 9% of the Company's revenues, respectively. No other customer accounts for more than 10% of 2018 revenue. As of December 31, 2018, 2 customers accounted for 83% of the Company's accounts receivable.

In the year ended December 31, 2017, 3 customers each accounted for 42%, 17% and 10% of the Company's revenues, respectively. No other customer accounts for more than 10% of 2017 revenue. As of December 31, 2017, a customer accounted for 91% of the Company's accounts receivable.

(b) Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents. As of December 31, 2018 and 2017, substantially all of the Company's cash and cash equivalents were held by major financial institutions located in the PRC, which management believes are of high credit quality.

For the credit risk related to trade accounts receivable, the Company performs ongoing credit evaluations of its customers and, if necessary, maintains reserves for potential credit losses. Historically, such losses have been within management's expectations.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

The disclosure required under this section was previously reported as such term is defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, in a Current Report on Form 8-K filed with the Securities and Exchange Commission on March 4, 2019.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, our management has carried out an evaluation, with the participation and under the supervision of our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2018. Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating and implementing possible controls and procedures.

Management conducted its evaluation of disclosure controls and procedures under the supervision of our Chief Executive Officer and our Chief Financial Officer. Based upon, and as of the date of this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were ineffective as of December 31, 2018 due to the material weaknesses in our internal control over financial reporting, which are described below.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP, and includes those policies and procedures that:

- (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with the authorization of our management and directors; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2018. In making this assessment, management used the framework set forth in the report entitled Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. The COSO framework summarizes each of the components of a company's internal control system, including (i) the control environment, (ii) risk assessment, (iii) control activities, (iv) information and communication, and (v) monitoring. Based on our assessment, as a result of the material weaknesses described below, our Chief Executive Officer and Chief Financial Officer determined that, as of December 31, 2018, our internal control over financial reporting was not effective because of the following material weaknesses in our internal control over financial reporting has been identified:

- (1) We did not hold any formal board meetings or shareholders meetings during the last fiscal year;
- (2) We do not have an audit committee;
- (3) We do not have sufficient and skilled accounting personnel with an appropriate level of technical accounting knowledge and experience in the application of accounting principles generally accepted in the United States commensurate with our financial reporting requirements;
- (4) We do not have appropriate policies and procedures in place to evaluate the proper accounting and disclosures of key documents and agreements of revenue process;
- (5) We have not maintained sufficient internal controls over cash related controls, including failure to segregate cash handling and accounting functions and did not require dual signature on the Company's bank accounts. Alternatively, the effects of poor cash controls were mitigated by the fact that we had limited transactions in our bank accounts; and
- (6) We retain copies of all financial data and material agreements; however there is no formal procedure or evidence of normal backup of our data or off-site storage of data in the event of theft, misplacement, or loss due to unmitigated factors. We did not implement appropriate information technology controls.

A material weakness is a deficiency or a combination of deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual financial statements will not be prevented or detected in a timely basis.

We plan to take steps to remediate these material weaknesses as soon as practicable by implementing a plan to improve our internal control over financial reporting including, but not limited to, hiring additional staff and/or outside consultants experienced in US GAAP financial reporting as well as in SEC reporting requirements. Our management team will continue to monitor and evaluate the effectiveness of our internal controls and procedures and our internal controls over financial reporting on an ongoing basis and is committed to taking further action and implementing additional enhancements or improvements.

Our management does not believe that these material weaknesses had a material effect on our financial condition or results of operations or caused our consolidated financial statements as of and for the year ended December 31, 2018 to contain a material misstatement.

Changes in internal control over financial reporting

Except for the matters described above, there were no changes in our internal controls over financial reporting during the fourth quarter of our fiscal year ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.****Directors and Executive Officers**

The following sets forth the name and position of each of our current executive officers and directors.

NAME	AGE	POSITION
Zonghua Chen	44	Chairman, Chief Executive Officer, President and Chief Financial Officer
Jun Chen	41	Director
Maozi Cong	67	Director

Zonghua Chen . Mr. Zonghua Chen has served as a member of our board of directors and as our Chairman, Chief Executive Officer, Chief Financial Officer and President since December 19, 2016. He has served as general manager, corporate representative and executive director at Shenzhen Portercity Investment Co. Ltd. since May 2013, with responsibilities including site selection and promotion of “Porter City - O2O Industry and Trade Financial Platform” project. From September 2010 to April 2013, Mr. Chen served as executive general manager in Shenzhen Porter Warehouse E-commerce Co., Ltd., with responsibilities including the development of the O2O (online to offline) business model. Mr. Chen holds a College Diploma in Accounting from Shenzhen University and a Postgraduate Diploma in Economics from Guangdong Academy of Social Sciences.

Jun Chen . Mr. Jun Chen has served as a member of our board of directors since October 28, 2016. He previously served as our Chairman, Chief Executive Officer, President and Chief Financial Officer from October 28, 2016 to December 19, 2016. Since April 2009, Mr. Chen has worked as an attorney at Guangdong Lianrui Law Firm, including as a Partner since May 2014, where he is responsible for providing comprehensive litigation and corporate counseling services for clients. Prior to that, Mr. Chen worked in Guangzhou Shenzhen Law Firm as Apprentice Lawyer from July 2007 until April 2009. Mr. Chen obtained his Master degree in Law from Northwest University of Politics and Law in China in 2007.

Maozi Cong . Mr. Maozi Cong has served as a member of our board of directors since December 19, 2016. Mr. Cong has more than 40 years of experience practicing traditional Chinese medicine. He also published more than 20 medical theses and has participated to edit Family Medicine Valuable Book, China Acupotomology, Spinal System Diseases and Cervical Spine. Mr. Cong is also a director and medical adviser of Canadian Traditional Medicine Association, lifetime professor of the World Institute of Traditional Chinese Medicine and Standing Committee member of National College of Traditional Chinese Medicine Orthopedics Association. Mr. Cong holds a college diploma from Beijing Guangming Traditional Chinese Medicine Correspondence University.

Directors and executive officers are elected until their successors are duly elected and qualified. There are no arrangements or understandings known to us pursuant to which any director or executive officer was or is to be selected as a director (or director nominee) or executive officer.

Family Relationships

There are no family relationships among our directors or officers.

Involvement in Certain Legal Proceedings

To the best of our knowledge, none of our directors or executive officers has, during the past ten years:

- been convicted in a criminal proceeding or been subject to a pending criminal proceeding (excluding traffic violations and other minor offences);
- had any bankruptcy petition filed by or against the business or property of the person, or of any partnership, corporation or business association of which he was a general partner or executive officer, either at the time of the bankruptcy filing or within two years prior to that time;
- been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction or federal or state authority, permanently or temporarily enjoining, barring, suspending or otherwise limiting, his involvement in any type of business, securities, futures, commodities, investment, banking, savings and loan, or insurance activities, or to be associated with persons engaged in any such activity;

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- been found by a court of competent jurisdiction in a civil action or by the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;
- been the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated (not including any settlement of a civil proceeding among private litigants), relating to an alleged violation of any federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Board Composition

The board of directors is currently composed of three members, Mr. Zonghua Chen, Mr. June Chen and Mr. Maozi Cong. All board action requires the approval of a majority of the directors in attendance at a meeting at which a quorum is present.

We currently do not have standing audit, nominating or compensation committees. Our entire board of directors handles the functions that would otherwise be handled by each of the committees. We intend, however, to establish an audit committee, a nominating committee and a compensation committee of the board of directors as soon as practicable. We envision that the audit committee will be primarily responsible for reviewing the services performed by our independent auditors, evaluating our accounting policies and our system of internal controls. The nominating committee would be primarily responsible for nominating directors and setting policies and procedures for the nomination of directors. The nominating committee would also be responsible for overseeing the creation and implementation of our corporate governance policies and procedures. The compensation committee will be primarily responsible for reviewing and approving our salary and benefit policies (including stock options), including compensation of executive officers.

None of our directors is an audit committee financial expert. Upon the establishment of an audit committee, the board will determine whether any of the directors qualify as an audit committee financial expert.

Code of Ethics and Business Conduct

We have adopted a Code of Ethics and Business Conduct that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer, and addresses, among other things, honesty and ethical conduct, conflicts of interest, compliance with laws, regulations and policies, including disclosure requirements under the federal securities laws, confidentiality, trading on inside information, and reporting of violations of the code. A copy of the Code of Ethics and Business Conduct has been filed as Exhibit 14.1 to our Current Report on Form 8-K filed on April 7, 2017 and is hereby incorporated by reference into this annual report. During the fiscal year ended December 31, 2018, there were no amendments to or waivers of our Code of Ethics and Business Conduct. If we effect an amendment to, or waiver from, a provision of our Code of Business Ethics and Conduct, we intend to satisfy our disclosure requirements by describing such amendment or waiver via a current report on Form 8-K.

Section 16(A) Beneficial Ownership Reporting Compliance

We are not subject to Section 16(a) of the Exchange Act.

ITEM 11. EXECUTIVE COMPENSATION.**Summary Compensation Table - Fiscal Years Ended December 31, 2018 and 2017**

The following table sets forth information concerning all cash and non-cash compensation awarded to, earned by or paid to the named persons for services rendered in all capacities during the noted periods. No other executive officers received total annual salary and bonus compensation in excess of \$100,000.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Nonequity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Zonghua Chen, CEO (1)	2018	46,215	—	—	—	—	—	—	46,215
	2017	44,611	—	—	—	—	—	—	44,611

(1) On April 7, 2017, we acquired PGL in a reverse acquisition transaction that was structured as a share exchange. The annual, long term and other compensation shown in this table include the amounts that the officer received from PGL and/or its subsidiaries and VIEs prior to the consummation of the reverse acquisition.

Employment Agreements

All of our executive officers have executed our standard employment agreement. Our employment agreements with our executives provide the amount of each executive officer's salary and establish their eligibility to receive a bonus. Our VIE, Portercity, entered into an employment agreement with Mr. Zonghua Chen, on May 1, 2013, under which Mr. Chen was employed as the company's general manager without a fixed term of employment. Mr. Chen receives a monthly salary of RMB 25,000 (approximately \$4,000) under the employment agreement. He is also subject to customary confidentiality covenants under the employment agreement.

Outstanding Equity Awards at Fiscal Year End

No unexercised options, stock that has not vested or outstanding equity incentive plan awards were held by any of our named executive officers at December 31, 2018.

Compensation of Directors

No member of our board of directors received any compensation for his services as a director during the year ended December 31, 2018.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.**Securities Ownership of Certain Beneficial Owners and Management**

The following table sets forth information regarding beneficial ownership of our common stock as of April 12, 2019 (i) by each person who is known by us to beneficially own more than 5% of our common stock; (ii) by each of our officers and directors; and (iii) by all of our officers and directors as a group. Unless otherwise specified, the address of each of the officers and directors set forth below is in care of the Company, 1609, Feng Rui Ge, Fenghu Building, Buji, Luohu, Shenzhen, Guangdong, China 518000. The registered address of each of the 5% shareholders (other than officers and directors) set forth below is Second Floor, The Quadrant, Manglier Street, Victoria, Mahe, 999126 Seychelles.

Name and Address of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership ⁽¹⁾	Percent of Class ⁽²⁾
Zonghua Chen, Chairman, CEO, President and CFO	Common Stock	30,000,000	5.9%
Jun Chen, Director	Common Stock	2,000,000	*
Maozi Cong, Director	Common Stock	15,000,000	3.0%
All officers and directors as a group (3 persons named above)	Common Stock	47,000,000	9.29%
Softsilver Investment Co., Ltd. ⁽³⁾	Common Stock	27,910,000	5.49%
Power of Oriental Invest Limited ⁽⁴⁾	Common Stock	21,110,000	4.15%
Huatai International Limited ⁽⁵⁾	Common Stock	28,560,000	5.62%
Zongjian Chen	Common Stock	30,000,000	5.9%
Porter Investment Limited ⁽⁶⁾	Common Stock	159,023,941	31.3%
The Unite Youbang Limited ⁽⁷⁾	Common Stock	23,656,700	4.66%
Enbang Fortune Limited ⁽⁸⁾	Common Stock	25,862,000	5.09%

* Less than 1%

- (1) Beneficial Ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Each of the beneficial owners listed above has direct ownership of and sole voting power and investment power with respect to the shares of our common stock.
- (2) A total of 508,110,000 shares of our common stock are considered to be outstanding pursuant to SEC Rule 13d-3(d)(1) as of April 12, 2019. For each beneficial owner above, any options exercisable within 60 days have been included in the denominator.
- (3) Zhaoyu Zou is the director of Softsilver Investment Co., Ltd. and has voting and dispositive power of the securities held by it.
- (4) Haixiong Chen is the director of Power of Oriental Invest Limited and has voting and dispositive power of the securities held by it.
- (5) Li Ma is the director of Huatai International Limited and has voting and dispositive power of the securities held by it.
- (6) Xiaofang Huang is the director of Porter Investment Limited and has voting and dispositive power of the securities held by it.
- (7) Zhongrui Zhang is the director of The Unite Youbang Limited and has voting and dispositive power of the securities held by it.
- (8) Zan Cui is the director of Enbang Fortune Limited and has voting and dispositive power of the securities held by it.

Changes in Control

In January 2017, we issued 500,000,000 shares to the shareholders of PGL pursuant to the Purchase Agreement. All of the shares were held in escrow and deemed to be in the full control of the Company. Upon the closing, these shares were delivered out of escrow to the shareholders of PGL, which constituted a change in control of the Company.

Securities Authorized for Issuance Under Equity Compensation Plans

We do not have any compensation plans in effect under which our equity securities are authorized for issuance.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.**Transactions with Related Persons**

The following includes a summary of transactions since the beginning of the last fiscal year, or any currently proposed transaction, in which we were or are to be a participant and the amount involved exceeded or exceeds the lesser of \$120,000 or one percent of the average of our total assets at year end for the last two completed fiscal years, and in which any related person had or will have a direct or indirect material interest (other than compensation described under Item 11 “Executive Compensation”). We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that would be paid or received, as applicable, in arm's-length transactions.

- As of December 31, 2018, we owed \$1,338,336 to our Chairman, CEO and CFO, Mr. Zonghua Chen, who loaned to us to support our business operations. Such loans do not accrue interests and are payable upon demand.
- As of December 31, 2018, we owed \$269,844 to Mr. Zongjian Chen, brother of our Chairman, CEO and CFO, who loaned us to support our business operations. Such loans do not accrue interests and is payable upon demand.
- As of December 31, 2018, Liaoning Northeast Asia Porter City Investment Limited owed \$183,545 to us. Mr. Zongjian Chen is a major shareholder of this company.

Promoters and Certain Control Persons

We did not have any promoters at any time during the past five fiscal years.

Director Independence

We currently do not have any independent directors, as the term “independent” is defined by the Listing Rules of the Nasdaq Stock Market.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.**Independent Auditors’ Fees**

The following table represents fees billed for each of the last two fiscal years for professional audit services rendered by our independent registered public accounting firm:

	<u>2018</u>	<u>2017</u>
Audit fees ⁽¹⁾	\$ 100,805	\$ 78,500
Audit-related fees	-	-
Tax fees	-	-
All other fees	-	-
Total	<u>\$ 100,805</u>	<u>\$ 78,500</u>

- (1) “Audit Fees” consisted of the aggregate fees billed for professional services rendered for the audit of our annual financial statements and the reviews of the financial statements included in our Forms 10-Q and for any other services that were normally provided in connection with our statutory and regulatory filings or engagements.

Pre-Approval Policies and Procedures

Under the Sarbanes-Oxley Act of 2002, all audit and non-audit services performed by our auditors must be approved in advance by our board of directors to assure that such services do not impair the auditors’ independence from us. In accordance with its policies and procedures, our board of directors pre-approved the audit service performed by our auditors for our consolidated financial statements as of and for the year ended December 31, 2018.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) List of Documents Filed as a Part of This Report:

(1) Index to Consolidated Financial Statements:

Report of Independent Registered Public Accounting Firms
Consolidated Balance Sheets as of December 31, 2018 and 2017
Consolidated Statements of Operations and Comprehensive Loss for the years ended December 31, 2018 and 2017
Consolidated Statements of Changes in Stockholders' Deficit for the years ended December 31, 2018 and 2017
Consolidated Statements of Cash Flows for the years ended December 31, 2018 and 2017
Notes to Consolidated Financial Statements

(2) Index to Financial Statement Schedules:

All schedules have been omitted because the required information is included in the consolidated financial statements or the notes thereto, or because it is not required.

(3) Index to Exhibits

See exhibits listed under Part (b) below.

(b) Exhibits:

Exhibit No.	Description
2.1	Share Purchase Agreement, dated December 16, 2016, among the Company, Porter Group Limited and the shareholders of Porter Group Limited (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on December 19, 2016)
3.1	Amended and Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 10, 2017)
3.2	Amended and Restated Bylaws adopted on May 8, 2017(incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on May 10, 2017)
10.1	Commission Management and Consulting Services Agreement, by and among Qianhai Porter, Portercity and shareholders of Portercity, dated December 15, 2016 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 7, 2017)
10.2	Exclusive Right and Option to Purchase Agreement, by and among Qianhai Porter, Portercity and shareholders of Portercity, dated December 15, 2016 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 7, 2017)
10.3	Shareholders' Voting Rights Proxy Agreement, by and among Qianhai Porter, Portercity and shareholders of Portercity, dated December 15, 2016 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on April 7, 2017)
10.4	Equity Interest Pledge Agreement, by and among Qianhai Porter, Portercity and shareholders of Portercity, dated December 15, 2016 (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on April 7, 2017)
10.5	Form of Labor Contract (English translation) (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on April 7, 2017)
10.6	Special Merchants Expansion Agreement of Union Pay Card (English translation), by and between Porter Consulting and China Payment Technology Co., Ltd., dated February 28, 2017 (incorporated by reference to Exhibit 10.12 to the Company's Amendment No. 2 to Current Report on Form 8-K filed on May 23, 2017)
10.7	Product Agency Agreement (English translation), by and between Porter Consulting and Shenzhen Xinghua Tongfu Technology Co., Ltd., dated May 22, 2016 (incorporated by reference to Exhibit 10.13 to the Company's Amendment No. 2 to Current Report on Form 8-K filed on May 23, 2017)

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10.8	Lease Agreement (English translation), by and between Portercity and Beijing Na Sheng Hong Sale and Service Center, dated November 27, 2017 (incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K filed on March 30, 2018).
10.9	Supplemental Lease Agreement (English translation), by and between Portercity and Beijing Na Sheng Hong Sale and Service Center, dated November 27, 2017 (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K filed on March 30, 2018).
14.1	Code of Ethics and Business Conduct of the Company (incorporated by reference to Exhibit 14.1 to the Company's Current Report on Form 8-K filed on April 7, 2017)
21.1	Subsidiaries of the Company
31.1	Certifications of Principal Executive Officer and Principal Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

ITEM 16. FORM 10-K SUMMARY.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: April 15, 2019

PORTER HOLDING INTERNATIONAL, INC.

By: /s/ Zonghua Chen
Zonghua Chen
Chief Executive Officer and Chief Financial Officer

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Zonghua Chen</u> Zonghua Chen	Chairman, President, Chief Executive Officer and Chief Financial Officer (Principal Executive Officer and Principal Financing and Accounting Officer)	April 15, 2019
<u>/s/ Jun Chen</u> Jun Chen	Director	April 15, 2019
<u>/s/ Maozi Cong</u> Maozi Cong	Director	April 15, 2019

LIST OF SUBSIDIARIES

Name of Subsidiary	Jurisdiction of Incorporation or Organization	Percentage of Ownership
Porter Group Limited	Republic of Seychelles	100%
Porter Perspective Business Group Limited	Hong Kong	100%
Shenzhen Qianhai Porter Industrial Co. Ltd.	PRC	100%
Shenzhen Portercity Investment Management Co. Ltd.	PRC	Variable interest entity
Shenzhen Yihuilian Information Consulting Co. Ltd.	PRC	100% by Shenzhen Portercity Investment Management Co. Ltd.
Shenzhen Porter Warehouse E-Commerce Co. Ltd.,	PRC	100% by Shenzhen Portercity Investment Management Co. Ltd.
Weifang Porter City Commercial Management Company Limited	PRC	100% by Shenzhen Portercity Investment Management Co. Ltd.
Shenzhen Porter Commercial Perspective Network Co., Ltd.,	PRC	100% by Shenzhen Portercity Investment Management Co. Ltd.

CERTIFICATIONS

I, Zonghua Chen, certify that:

1. I have reviewed this annual report on Form 10-K of Porter Holding International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 15, 2019

/s/ Zonghua Chen

Zonghua Chen

Chief Executive Officer and Chief Financial Officer

(Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Zonghua Chen, Chief Executive Officer and Chief Financial Officer of Porter Holding International, Inc. (the "Company"), DOES HEREBY CERTIFY that:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (the "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

IN WITNESS WHEREOF, the undersigned has executed this statement this 15th day of April, 2019.

/s/ Zonghua Chen

Zonghua Chen

Chief Executive Officer and Chief Financial Officer

(Principal Executive Officer, Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to Porter Holding International, Inc. and will be retained by Porter Holding International, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The forgoing certification is being furnished to the Securities and Exchange Commission pursuant to § 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.