UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2018

OR

☐ **TRANSITIONAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **TRANSITIONAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report _________

For the transition period from _________ to __________

Commission file number 001-37655

CHINA CUSTOMER RELATIONS CENTERS, INC.

(Exact Name of registrant as specified in its charter)

Not Applicable
(Translation of Registrant's name into English)

British Virgin Islands
(Jurisdiction of incorporation or organization)

c/o Shandong Taiying Technology Co., Ltd.
1366 Zhongtianmen Dajie, Xinghuo Science and Technology Park, High-tech Zone, Taian City, Shandong Province, People's Republic of China 27100
(Address of principal executive offices)

Zhili Wang
c/o Shandong Taiying Technology Co., Ltd.
1366 Zhongtianmen Dajie, Xinghuo Science and Technology Park, High-tech Zone, Taian City, Shandong Province, People's Republic of China 27100
Tel: (+86) 538 691 8899
Email: ir@ccrc.com
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of Exchange on which registered
Common Shares, $0.001 par value per share	**The Nasdaq Capital Market**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d): **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: **18,329,600 outstanding common shares**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Emerging growth company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, 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. ☒

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☒ International Financial Reporting Standards as issued By the International Accounting Standards Board ☐ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes ☐ No ☐

Table of Contents

PART I		
Item 1.	Identity of Directors, Senior Management and Advisers	1
Item 2.	Offer Statistics and Expected Timetable	1
Item 3.	Key Information	1
Item 4.	Information on the Company	31
Item 4A.	Unresolved Staff Comments	53
Item 5.	Operating and Financial Review and Prospects	54
Item 6.	Directors, Senior Management and Employees	72
Item 7.	Major Shareholders and Related Party Transactions	80
Item 8.	Financial Information	82
Item 9.	The Offer and Listing	83
Item 10.	Additional Information	84
Item 11.	Quantitative and Qualitative Disclosures About Market Risk	93
Item 12.	Description of Securities Other Than Equity Securities	94
PART II		
Item 13.	Defaults, Dividends Arrearages and Delinquencies	94
Item 14.	Material Modifications to the Rights of Security Holders and Use of Proceeds	94
Item 15.	Controls and Procedures	94
Item 15T.	Controls and Procedures	95
Item 16.	[Reserved]	95
Item 16A.	Audit Committee and Financial Expert	95
Item 16B.	Code of Ethics	95
Item 16C.	Audit-Related Fees	95
Item 16D.	Exemptions form the Listing Standards for the Audit Committee	96
Item 16E.	Purchase of Equity Securities by the Issuer and the Affiliated Purchasers	96
Item 16F.	Change in Registrant’s Certifying Accountant	96
Item 16G.	Corporate Governance	96
Item 16H.	Mine Safety Disclosure	96
PART III		
Item 17.	Financial Statements	97
Item 18.	Financial Statements	97
Item 19.	Exhibits	97

Defined Terms and Conventions

Except where the context otherwise requires and for purposes of this annual report on Form 20-F only:

- The terms "we," "us," "Company" "our company," and "our" refer to China Customer Relations Centers, Inc. and its wholly-owned subsidiaries and its affiliated entities, including our variable interest entities and their subsidiaries;
- China Customer Relations Center, Inc., a British Virgin Islands company ("CCRC" when referring solely to our British Virgin Islands listing company);
- China BPO Holdings Limited, a Hong Kong company wholly-owned by CCRC ("CBPO");
- Shandong Juncheng Information Technology Co., Ltd., a Chinese company wholly-owned by CBPO ("WFOE");
- Taian Juncheng Information Technology Co., Ltd., a Chinese company wholly-owned by WFOE ("TJIT"), voluntarily dissolved in July 2018;
- Shandong Taiying Technology Co., Ltd., an affiliated Chinese company that WFOE controls by virtue of contractual arrangements ("Taiying");
- Global Telecare Services Limited, a Hong Kong company wholly-owned by Taiying ("GTSL");
- Chongqing Central BPO Industry Co., Ltd., a wholly-owned subsidiary of Taiying ("Central BPO");
- Jiangsu Taiying Technology Co., Ltd., a wholly-owned subsidiary of Taiying ("JTTC");
- Hebei Taiying Communication BPO Co., Ltd., a subsidiary with 51% shares owned by Taiying ("HTCC");
- Shandong Central BPO Industry Co., Ltd., a wholly-owned subsidiary of Central BPO ("SCBI");
- Jiangsu Central Information Service Co., Ltd., a wholly-owned subsidiary of Taiying ("JCBI");
- Anhui Taiying Information Technology Co., Ltd., a wholly-owned subsidiary of Taiying ("ATIT");
- Shandong Taiying Technology Nanning Branch Company, a wholly-owned branch company of Taiying ("STTNB"), voluntarily dissolved in January 2019;
- Shandong Taiying Technology Chongqing Branch Company, a wholly-owned branch company of Taiying ("STTCB");
- Shandong Taiying Technology Wuhan Branch Company, a wholly-owned branch company of Taiying ("STTWB");
- Shandong Taiying Technology Chuzhou Branch Company, a wholly-owned branch company of Taiying ("STTCZB");
- Jiangsu Taiying Information Service Co., Ltd., a wholly-owned subsidiary of Taiying ("JTIS");
- Jiangxi Taiying Technology Co., Ltd., a wholly-owned subsidiary of Taiying ("JXTT");
- Sichuan Taiying technology Co., Ltd., a wholly-owned subsidiary of Taiying ("STTC");
- Guangxi Taiying Information Technology Co., Ltd., a wholly-owned subsidiary of Taiying ("GTTC")

- Xinjiang Taiying Technology Co., Ltd., a wholly-owned subsidiary of Taiying ("XTTC");
- Nanjing Taiying E-Commerce Business Co., Ltd., a wholly-owned subsidiary of Taiying ("NTEB");
- Beijing Taiying Technology Co., Ltd., a wholly-owned subsidiary of Taiying ("BTTC");
- Guangdong Taiying Technology Co., Ltd., a wholly-owned subsidiary of Taiying ("GDTC");
- Baoding Taiying Information Technology Service Co., Ltd., a wholly-owned subsidiary of Taiying ("BTIT");
- Zaozhuang Shenggu E-commerce Co. Ltd., a wholly owned subsidiary of BTTC ("ZSEC");
- "shares" and "common shares" refer to our common shares, $0.001 par value per share;
- "Operating Companies" or "Operating Company" refer to, collectively or individually, as the case may be, to Taiying, Central BPO, BTTC, JTTC, HTCC, SCBI, NTEB, JCBI, ATIT, STTCB, STTWB, STTCZB, JTIS, JXTT, XTTC, GTSL, GDTC, BTIT, STTC, GTTC and ZSEC;
- "China" and "PRC" refer to the People's Republic of China, excluding, for the purposes of this annual report only, Macau, Taiwan and Hong Kong;
- "BPO" refers to business process outsourcing;
- "tier 1 cities" are to the term used by the National Bureau of Statistics of China and refer to Beijing, Shanghai, Shenzhen and Guangzhou;
- "tier 2 cities" are the 32 major cities, other than tier 1 cities, as categorized by the National Bureau of Statistics of China, including provincial capitals, administrative capitals of autonomous regions, direct-controlled municipalities and other major cities designated as "municipalities with independent planning" by the State Council;
- "MVAS" refers to mobile value-added services, such as weather, health, education and farming related products to targeted telecommunications subscribers; and
- all references to "RMB," and "Renminbi" are to the legal currency of China, and all references to "USD," and "U.S. Dollars" are to the legal currency of the United States.

We refer to Taiying by name in discussing the entity that conducts our day-to-day BPO business in China and refer to "our company" when discussing our strategies, business plans, organization and other decision-making focused matters. Because we control Taiying by virtue of our ownership of WFOE and WFOE's contractual rights to control the day-to-day operations and corporate activities of Taiying, we believe it would be misleading in most cases to discuss the business decisions of Taiying as though Taiying were at arm's-length from our company.

For the sake of clarity, this annual report follows the English naming convention of first name followed by last name, regardless of whether an individual's name is Chinese or English. For example, the name of our chief executive officer will be presented as "Gary Wang" or "Zhili Wang", even though, in Chinese, his name would be presented as "Wang Zhili".

FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements. All statements contained in this annual report other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in the “Risk Factors” section. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this annual report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. We are under no duty to update any of these forward-looking statements after the date of this annual report or to conform these statements to actual results or revised expectations.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable for annual reports on Form 20-F.

Item 2. Offer Statistics and Expected Timetable

Not applicable for annual reports on Form 20-F.

Item 3. Key Information

A. *Selected Financial Data.*

In the table below, we provide you with summary financial data of our company. The selected consolidated statement of income and other comprehensive income data for the years ended December 31, 2016, 2017 and 2018 and the selected consolidated balance sheet data as of December 31, 2017 and 2018 are derived from our audited consolidated financial statements, which are included elsewhere in this annual report. The selected consolidated statement of income and comprehensive income data for the year ended December 31, 2014 and the selected consolidated balance sheet data as of December 31, 2014 and 2015 are derived from our audited consolidated financial statements, which are not included in this annual report. Historical results are not necessarily indicative of the results that may be expected for any future period. When you read this historical selected financial data, it is important that you read it along with the historical statements and notes and "Operating and Financial Review and Prospects" included elsewhere in this annual report.

Selected Consolidated Statement of Income and Other Comprehensive Income Data	**For The Years Ended December 31,**				
	2018	**2017**	**2016**	**2015**	**2014**
(In U.S. dollars)					
Total net revenues	$ 141,433,641	$ 88,971,787	$ 72,731,706	$ 59,350,721	$ 42,673,139
Cost of revenues	102,567,896	65,562,563	53,098,552	46,891,617	35,188,331
Gross profit	38,865,745	23,409,224	19,633,154	12,459,104	7,484,808
Total operating expenses	21,329,908	14,766,524	11,082,106	7,259,279	5,779,600
Income from operations	17,535,837	8,642,700	8,551,048	5,199,825	1,705,208
Other income and (expenses)					
Government grants	1,709,297	1,885,340	801,125	1,027,581	1,439,186
Other income	552,205	175,995	479,387	225,306	64,873
Other expense	(124,370)	(331,641)	(55,003)	(124,473)	(238,413)
Interest expense	(404,958)	(1,609)	(50,383)	(278,363)	(552,894)
Total other income	1,732,174	1,728,085	1,175,126	850,051	712,752
Income before provision for income taxes	19,268,011	10,370,785	9,726,174	6,049,876	2,417,960
Income tax provision	2,966,880	1,255,654	1,448,923	1,275,633	635,859
Net income	16,301,131	9,115,131	8,277,251	4,774,243	1,782,101
Net income attributable to noncontrolling interest	208,593	341,672	-	-	-
Net income attributable to China Customer Relations Centers, Inc.	16,092,538	8,773,459	8,277,251	4,774,243	1,782,101
Earnings per common share attributable to China Customer Relations Centers, Inc. – basic and fully diluted	$ 0.88/0.88	$ 0.48/0.48	$ 0.45/0.45	$ 0.30/0.30	$ 0.11/0.11

	As of December 31,				
Selected Balance Sheet Data	**2018**	**2017**	**2016**	**2015**	**2014**
(In U.S. dollars)					
Cash and cash equivalents	$ 24,419,912	$ 18,628,365	$ 15,947,268	$ 13,623,849	$ 5,097,010
Total current assets	58,939,783	45,867,354	32,385,492	25,385,177	16,149,427
Total non-current assets	12,268,122	10,069,477	5,338,137	5,624,155	3,715,981
Total assets	71,207,905	55,936,831	37,723,629	31,009,332	19,865,408
Total current liabilities	17,889,549	15,823,091	9,220,397	9,245,817	10,684,120
Total non-current liabilities	-	-	-	-	4,450
Total liabilities	17,889,549	15,823,091	9,220,397	9,245,817	10,688,570
Total equity	53,318,356	40,113,740	28,503,232	21,763,515	9,176,838
Total liabilities and equity	$ 71,207,905	$ 55,936,831	$ 37,723,629	$ 31,009,332	$ 19,865,408

We have presented earnings per share in CCRC after giving retroactive effect to the reorganization of our company that was completed on September 3, 2014, upon Taiying's execution of control agreements with its sole shareholder, Beijing Taiying Anrui Holding Co., Ltd. ("Beijing Taiying"), and WFOE. This information is pro forma because the 15,929,600 CCRC common shares did not exist prior to the formation of CCRC in 2014.

Exchange Rate Information

Our business is conducted in China, and the financial records of WFOE and Taiying are maintained in RMB, their functional currency. However, we use the U.S. dollar as our reporting currency; therefore, periodic reports made to shareholders will include current period amounts translated into U.S. dollars using the then-current exchange rates, for the convenience of the readers. Our financial statements have been translated into U.S. dollars in accordance with Accounting Standards Codification ("ASC") 830-10, "Foreign Currency Matters." We have translated our asset and liability accounts using the exchange rate in effect at the balance sheet date. We translated our statements of operations using the average exchange rate for the period. We reported the resulting translation adjustments under other comprehensive income. Unless otherwise noted, we have translated balance sheet amounts with the exception of equity at December 31, 2018 at RMB 6.8764 to $1.00 as compared to RMB 6.5064 to $1.00 at December 31, 2017. The average translation rates applied to income statement accounts for the years ended December 31, 2018, 2017 and 2016 were RMB 6.6146, RMB 6.7570 and RMB 6.6430, respectively.

We make no representation that any RMB or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or RMB, as the case may be, at any particular rate, or at all. The Chinese government imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign exchange and through restrictions on foreign trade. The Company does not currently engage in currency hedging transactions.

B. ***Capitalization and indebtedness.***

Not applicable for annual reports on Form 20-F.

C. ***Reasons for Offer and use of Proceeds.***

Not applicable for annual reports on Form 20-F.

D. ***Risk Factors.***

Risks Related to Our Business

We are likely to depend on third-party software, systems and services and an interruption in the services could have a material adverse effect on our business, financial condition and results of operations.

Our business and operations rely on China Telecom and China Mobile and may rely on other third parties to provide services, such as IT services, or shipping and transportation services. We may experience operational problems attributable to the installation, implementation, integration, performance, features or functionality of third-party software, access to communication networks and fiber optics, hosted environments, systems and services. Any interruption in the availability or usage of the services provided by China Mobile or China Telecom or other third parties could have a material adverse effect on our business, financial condition and results of operations.

Unexpected network interruptions, security breaches or computer virus attacks could have a material adverse effect on our business, financial condition and results of operations.

Our business depends on the performance and reliability of the mobile telecommunications network of China Mobile or China Telecom, as the case may be. We may not have access to alternative networks in the event of disruptions, failures or other problems with China Mobile or China Telecom's wireless infrastructure.

Any failure to maintain the satisfactory performance, reliability, security and availability of our network infrastructure may cause significant harm to our reputation and our ability to attract and maintain clients. Major risks involved in such network infrastructure include, among others, any breakdowns or system failures resulting in a prolonged shutdown of all or a material portion of our servers, including failures which may be attributable to sustained power outages, or effort to gain unauthorized access to our systems causing loss or corruption of data or malfunctions of software or hardware.

Our network systems are vulnerable to damage from fire, flood, power loss, telecommunications failures, computer viruses, hackings and other similar events. Any network interruption or inadequacy that causes interruptions in the availability of our services or deterioration in the quality of access to our services could reduce our user satisfaction and our competitiveness. In addition, any security breach caused by hacking, which involves effort to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses could have a material adverse effect on our business, financial condition and results of operations. We do not maintain insurance policies covering losses relating to our systems and we do not have business interruption insurance. See "Risk Factors - We have limited business insurance coverage. Any future business liability, disruptions or litigation we experience might divert management focus from our business and could significantly impact our financial results."

Our business is dependent upon the reliability and accessibility of China's telecommunications and Internet infrastructure and if they become nonfunctional our operational results could suffer as a result.

We render our services via telecommunications and Internet networks, and therefore our ability to fulfill our contracts and generate revenue and profits is dependent on those systems remaining available and accessible with minimal disruption or interruption. Just as we are dependent on the reliability of our software and systems and the telecommunications networks of our principal clients, we are also dependent on the operational reliability and capacity of China's overall telecommunications and Internet infrastructure. Should this infrastructure or key portions of it be disabled or become nonfunctional, we may not be able to secure alternate means of communication or alternate means of accessing needed information. Our operational results could suffer as a result.

We depend on a limited number of clients for a significant portion of our revenues, and this dependency is likely to continue. Any deterioration of such relationship may result in severe disruptions to our business operations and the loss of the majority of our revenues.

We have derived, and believe that in the foreseeable future we will continue to derive, a significant portion of our revenues from a limited number of clients. In 2018, the provincial subsidiaries of China Mobile and Didi Chuxing accounted for 20% and 19% of our net revenues, respectively. In 2017, the provincial subsidiaries of China Mobile accounted for 28% of our net revenues. In 2016, the provincial subsidiaries of China Mobile and China Telecom accounted for 10% or more of our net revenues, and in the aggregate accounted for 48% of our net revenues. Our top five clients accounted for approximately 58%, 57%, and 71% of our net revenues in 2018, 2017 and 2016, respectively.

We operate under non-exclusive revenue sharing arrangements with the provincial subsidiaries of China Mobile for inbound and outbound callings. We generally do not have long-term commitments from any of our clients to purchase our services. Our agreements with provincial subsidiaries of China Mobile generally have one-year terms and they do not have automatic renewal provisions. A number of factors other than our performance could cause the loss of or reduction in business or revenue from a client and these factors are not predictable. A client may demand price reductions, change its outsourcing strategy, switch to another outsourcing service provider or return work in-house. For example, if the provincial subsidiaries of China Mobile are unwilling to continue our business relationships, we will face significant loss of business. The loss, cancellation, deferral or renegotiation of our arrangements with the provincial subsidiaries of China Mobile could have a material adverse effect on our financial condition and results of operations. Our ability to maintain close relationships with these clients is essential to the growth and profitability of our business.

The alteration of the revenue sharing percentage in our agreements with our customers or termination of these agreements could materially and adversely impact our business operations and financial conditions.

Our revenues and profitability could be materially and adversely affected if our customers decide to materially increase its revenue sharing percentage in our agreements with them. In addition, in some instances our customers can impose monetary penalties upon us or even terminate agreements with us, for a variety of reasons, including without limitation, the following:

- if the customers receive a high level of customer complaints about our call center service; or

- if we fail to meet the performance standards established by our customers from time to time.

Significant changes in the policies or guidelines of our customers with respect to services provided by us may materially adversely affect our financial condition and results of operations.

Our clients may from time to time issue certain operating policies or guidelines, requesting or stating preferences for certain actions to be taken by all MVAS providers using their networks. A significant change in the policies or guidelines of our clients may result in lower revenues or additional operating costs to us. We cannot assure that our financial condition and results of operations will not be materially adversely affected by a change in policies or guidelines by our clients.

Our clients may adopt technologies that decrease the demand for our services, which could harm our business, results of operations and financial condition.

We target clients that need our BPO services, and we depend on their continued need for our services. However, over time, our clients may adopt new technologies that decrease the need for live customer interaction, such as interactive voice response, web-based self-help and other technologies used to automate interactions with customers. The adoption of these technologies could reduce the demand for our services, create pricing pressure and harm our business, results of operations and financial condition.

Failure to attract and retain telecommunications operators to work with us will negatively affect our ability to grow revenues and market share.

The amount of fees we can charge the provincial subsidiaries of China Mobile depends upon the size of potential customers, the outbound cold calling success rate, and the quality of our data mining work. Telecommunications operators choose us to provide BPO services in part because of the effectiveness and quality of the services we offer. If we fail to maintain or increase the satisfaction level of our customers, or fail to solidify our brand name and reputation as a quality provider of call center services and content services, telecommunications operators may be unwilling to pay the fees at a level necessary for us to remain profitable.

Changes in the regulation of the Chinese telecommunications industry could result in new burdens and expenses on service providers like us.

Our principal customers are telecommunications companies that operate in a highly regulated environment. Major telecommunications companies in China are state-owned or controlled, and their business decisions and strategies are affected by government budgeting and spending plans. In addition, in December 2001, the Ministry of Industry and Information Technology of China promulgated a set of regulations governing telecommunications providers, and these regulations were amended in 2015 with a classification system that covers, among other things, Type 2 (hereafter defined) value added service providers such as us. Changes in the regulatory system may impose new costs and burdens on us, or affect us indirectly by imposing new burdens and obligations onto our customers that, in turn, may be passed on to us under our agreements with customers. If such changes occur, our financial performance may be adversely affected.

If we fail to obtain and maintain the licenses, permits and approvals required or applicable to our business under the complex regulatory environment for our businesses in China, our business, financial condition and results of operations may be materially and adversely affected.

As the telecommunication industry in China is still at a relatively early stage of development, new laws and regulations may be adopted from time to time to address new issues that come to the authorities' attention. Considerable uncertainties still exist with respect to the interpretation and implementation of existing and future laws and regulations governing our business activities. We cannot assure you that we will not be found in violation of any future laws and regulations or any of the laws and regulations currently in effect due to changes in or discrepancies with respect to the relevant authorities' interpretation of these laws and regulations. In addition, we may be required to obtain additional license or approvals, and we cannot assure you that we will be able to timely obtain or maintain all the required licenses or approvals or make all the necessary filings in the future. Should we be required to obtain additional licenses or approvals, we may not be able to do so in a timely manner or at all. If we fail to obtain or maintain any of the required licenses or approvals or make the necessary filings, or fail to obtain required licenses or approvals in a timely manner, we may be subject to various penalties, such as confiscation of the net revenues that were generated through the unlicensed telecommunications activities, the imposition of fines and the termination or restriction of our operations. Any such penalties may disrupt our business operations or materially and adversely affect our business, financial condition and results of operations.

Further restructuring of China's telecommunications sector may have an adverse impact on our business prospects and results of operations.

Historically, China's telecommunications sector has been subject to a number of state-mandated restructurings. For example, in 2002 China Telecom was split geographically into a northern division (consisting of 10 provinces) and a southern division (consisting of 21 provinces).

In May 2008, China announced a new restructuring plan for the country's telecommunications carriers. This restructuring plan reorganized the operations of Chinese telecommunications carriers, creating three major carriers that have both mobile and fixed-line services. Moreover, in 2013, the Chinese government started to permit mobile virtual network operators to lease and repackage mobile services for sale to end customers. Such changes will lead to further intensified competition in China's telecommunications industry. As a result, more call center outsourcing solution providers will be competing for projects and telecommunications carriers may be able to exact lower prices for our solutions and services. If we cannot effectively compete with our competitors, our profit margin will be reduced, and our results of operations may be materially and adversely affected. Furthermore, telecommunications carriers may also find it more cost-effective to keep or establish their own BPO operations, instead of outsourcing to third-party providers. If the outsourcing of such services is reduced or reversed, our financial condition and results of operations may be materially and adversely affected.

Call center services, particularly telemarketing services, may fall into disfavor among the public, reducing demand for our services.

Telemarketing services, particularly outbound call center services, may fall into public disfavor if the recipients of calls find them annoying, burdensome or otherwise overbearing. While we strive to render our services in a professional, polite and courteous manner, we cannot control the public perception of telemarketing generally. Moreover, we do not always have control over the nature or subject matter of outbound calls that our customers require us to make. Public hostility to telemarketing services generally, or to the particular types of calls our customers would like us to make, could result in decreased demand for such services, and thus be detrimental to our revenues and profits.

The growth of our business may be adversely affected due to public concerns over the security and privacy of confidential user information.

The growth of our business may be inhibited if public concerns over the security and privacy of confidential user information transmitted over the Internet and wireless networks are not adequately addressed. Our services may decline and our business may be adversely affected if significant breaches of network security or user privacy occur.

The intellectual property of our customers may be damaged, misappropriated, stolen or lost while in our possession, subjecting us to litigation and other adverse consequences.

In the course of providing services to our clients, we may have possession of or access to their intellectual property, including databases, software, certificates of authenticity and similar valuable items of intellectual property. If our clients' intellectual property is damaged, misappropriated, stolen or lost, we could suffer adverse impacts to our business, including but not limited to:

- claims under client agreements or applicable law, or other liability for damages;
- delayed or lost revenue due to adverse client reaction;
- negative publicity; and
- litigation that could be costly and time-consuming.

Our limited operating history makes it difficult to evaluate our future prospects and results of operations.

We have a limited operating history. Taiying was established in 2007, CBPO, WFOE and CCRC were established in 2014. As our operating history is limited, the revenues and income potential of our business and markets are unproven. Our limited operating history and the early stage of development of the industry in which we operate makes it difficult to evaluate our business and future prospects. Although we expect our revenues to grow, we cannot assure that we will maintain our profitability or that we will not incur net losses in the future. Any significant failure to realize anticipated revenue growth could result in significant operating losses. Accordingly, you should consider our future prospects in light of the risks and uncertainties experienced by early stage companies in evolving markets such as the growing market for call center services in the PRC. In addition, we face numerous risks, uncertainties, expenses and difficulties frequently encountered by companies at an early stage of development. We will continue to encounter risks and difficulties in implementing our business model, including (among other risks and difficulties) potential failure to:

- offer additional call center services to attract and retain a larger customer base;
- increase our revenue and market share by targeting specific markets with positive consumer demographics;
- expand our operations and service network to other provinces;
- attract additional customers and increase spending per customer;
- attract a wider client base and explore new mobile marketing opportunities to target segmented consumer groups;
- increase visibility of our brand and maintain customer loyalty;
- respond to competitive market conditions;
- anticipate and adapt to changing conditions in the markets in which we operate as well as changes in government regulations, mergers and acquisitions involving our competitors, technological developments and other significant competitive and market dynamics;
- manage risks associated with intellectual property rights;
- maintain effective control of our costs and expenses;
- raise sufficient capital to sustain and expand our business;
- attract, train, retain and motivate qualified personnel, continue to train, motivate and retain our existing employees, attract and integrate new employees, including into our senior management; and
- upgrade our technology to support additional research and development of new call center services.

We cannot predict whether we will be successful in addressing any or all of these risks. If we are unsuccessful in addressing these risks and uncertainties, our business, financial condition and results of operation may be materially and adversely affected.

The markets in which we operate are highly competitive and fragmented. The competition could limit our ability to increase market share, and materially adversely affect our business operations, financial condition and results of operations.

We operate in a highly fragmented market and expect competition to persist and intensify in the future. The outsourcing industry is extremely competitive, and outsourcers have historically competed based on pricing terms. Accordingly, we could be subject to pricing pressure and may experience a decline in our average selling prices for our call center services. We compete with these companies primarily on the basis of brand, type and timing of service offerings, content, customer service, business partners and channel relationships. We also compete for experienced and talented employees. While we believe that we have certain advantages over our competitors, some of them may have greater financial, human and other resources, longer operating histories, greater technological expertise, more recognizable brand names and more established relationships than we do in the industries that we currently serve or may serve in the future. Some of our competitors may enter into strategic or commercial relationships among themselves or with larger, more established companies in order to increase their ability to address client needs. Increased competition, pricing pressure or loss of market share could reduce our operating margin, which could harm our business, results of operations and financial condition. Furthermore, our competitors may be able to develop or exploit new technologies faster than we can, or offer a broader range of services than we are presently able to offer.

We could face decreasing revenues and lower profitability if we are forced to significantly reduce the price of our services. We split a pre-determined percentage of our revenue with the provincial subsidiaries of China Mobile for most of our services. However, increasing competition among telecommunication companies in the PRC may lead to a reduction in telecommunication services fees that can be charged by such companies. If the provincial subsidiaries of China Mobile experience a reduction in telecommunication services fees, such a reduction will negatively impact revenue generated by the provincial subsidiaries of China Mobile. Under such circumstances, we may be required to reduce the price of our services; or the provincial subsidiaries of China Mobile may demand an increase of its share of profit sharing under our agreements with their subsidiaries or seek competitors that charge less for services than we do, all or any of which could adversely affect our financial results.

If we fail to compete successfully against new and existing competitors, we may not be able to increase our market share, and our profitability may be adversely affected.

We do and will continue to face significant competition in the PRC in the BPO business. We compete for clients primarily on the basis of our brand name, delivery method, price and the range of services that we offer. We also compete for overall advertising spending with other alternative advertising media companies, such as the Internet, newspapers, television, magazines and radio.

Increased competition will provide advertisers with a wider range of media and advertising service alternatives, which could force us to offer lower prices for our services, resulting in reduced operating margins and profitability and a loss of market share. Some of our existing and potential competitors may have competitive advantages, such as significantly greater financial, marketing or other resources. We cannot assure that we will be able to successfully compete against new or existing competitors.

If we are unable to respond successfully to technological or industry developments, our business may be materially adversely affected.

Rapid advances in technology, industry standards and customer demands characterize the telecommunications industry. New technologies, industry standards or market demands may render our existing services or technologies less competitive or even obsolete. Telecommunications operators in the PRC are currently in the process of implementing 4G telecommunications services and introducing 5G telecommunications services by 2020. Responding and adapting to 4G, 5G and other technological developments and standard changes in our industry may require substantial time, effort and capital investment. If we are unable to respond successfully to technology, industry and market developments, such developments may materially adversely affect our business, results of operations and competitiveness.

Our leased property interest may be defective and our right to lease the properties may be affected by such defects, which could cause significant disruption to our business.

Under the applicable PRC laws and regulations, all lease agreements are required to be registered with the local housing authorities. The landlords of certain of our leased premises in China may have not completed the registration of their ownership rights or our leases with the relevant authorities. Failure to complete these required registrations may expose our landlords, lessors and us to potential monetary fines. If these registrations are not obtained in a timely manner, or at all, we may be subject to monetary fines or may have to relocate our offices, which will incur the associated losses and adversely affect our normal business operations.

Our operating margin will suffer if we are not able to maintain our pricing, utilize our employees and assets efficiently or maintain and improve the current mix of services that we deliver.

Our operating margin is largely a function of the prices that we are able to charge for our services, the new programs we are able to develop, the efficient use of our assets, the utilization of our employees, and the geographical location from which we deliver services. For example, China Mobile Beijing has transferred a portion of its call center service business to our Shandong Province location in an effort to reduce costs and Didi Chuxing has transferred a portion of its call center service business to our Shandong and Jiangsu Province locations. Our business model is predicated on our ability to objectively quantify the value that we provide to our clients. If we fail to succeed on any of these objectives, we may experience a decline in our current operating margin.

The rates we are able to charge for our services, our ability to manage our assets efficiently and the location from which we deliver our services are affected by a number of factors, including, without limitation:

- our clients' perceptions of our ability to add value through our services;
- our ability to objectively differentiate and verify the value we offer to our clients;
- competition;
- the introduction of new services by us or our competitors;
- our ability to estimate demand for our services;
- our ability to control costs and improve the efficiency of our employees; and
- general economic and political conditions.

Wage increases in China may prevent us from sustaining our competitive advantage and could reduce our profit margins.

Wage costs for our call center professionals and other employees form a significant part of our costs. For instance, in 2018, 2017 and 2016, our compensation and benefit expenses in respect of our professionals was $90.68 million, $58.76 million and $51.43 million, accounting for 64%, 66% and 71% of our total revenues, respectively. Because of rapid economic growth and increased competition for skilled employees in China, we may need to increase our levels of employee compensation more rapidly than in the past to remain competitive in retaining the quality and number of employees that our business requires. Increases in the wages and other compensations we pay our employees in China could reduce our competitive strength; especially if increase in wage costs of our call center professionals exceeds increase in our call center professionals' billing rate, we may suffer a reduction in profit margins. In addition, the future issuance of equity-based compensation to our professional staff and other employees would also result in additional stock dilution for our shareholders.

We depend on our key personnel, and our business and growth prospects may be severely disrupted if we lose their services.

Our future success depends heavily upon the continued service of our key executives. In particular, we rely on the expertise and experience of Gary Wang, our founder, chairman and chief executive officer. We rely on his industry expertise and experience in our business operations, and in particular, his business vision, management skills, and working relationship with our employees, our other major shareholders, the regulatory authorities, and many of our clients. If he became unable or unwilling to continue in his present position, or if he joined a competitor or formed a competing company in violation of his employment agreement, we may not be able to replace him easily, our business may be significantly disrupted and our financial condition and results of operations may be materially adversely affected.

We do not maintain key man life insurance on any of our senior management or key personnel. The loss of any one of them would have a material adverse effect on our business and operations. Competition for senior management and our other key personnel is intense and the pool of suitable candidates is limited. We may be unable to locate a suitable replacement for any senior management or key personnel that we lose. In addition, if any member of our senior management or key personnel joins a competitor or forms a competing company, they may compete with us for customers, business partners and other key professionals and staff members of our company. Although each of our senior management and key personnel has signed a confidentiality and non-competition agreement in connection with his employment with us, we cannot assure that we will be able to successfully enforce these provisions in the event of a dispute between us and any member of our senior management or key personnel.

In addition, we compete for qualified personnel with other call center companies, and we face competition in attracting skilled personnel and retaining the members of our senior management team. These personnel possess technical and business capabilities, including expertise relevant to the BPO market, which are difficult to replace. There is intense competition for experienced senior management with technical and industry expertise in the BPO industry, and we may not be able to retain our key personnel. Intense competition for these personnel could cause our compensation costs to increase, which could have a material adverse effect on our results of operations. Our future success and ability to grow our business will depend in part on the continued service of these individuals and our ability to identify, hire and retain additional qualified personnel. If we are unable to attract and retain qualified employees, we may be unable to meet our business and financial goals.

If we fail to attract and retain enough sufficiently trained customer service associates and other personnel to support our operations, our business, results of operations and financial condition will be seriously harmed.

We rely on large numbers of customer service associates, and our success depends to a significant extent on our ability to attract, hire, train and retain qualified customer service associates. Companies in the BPO market, including us, experience high employee attrition. Our attrition rate for our customer service associates who remained with us following a 90-day training and orientation period was on average approximately 5% per month. A significant increase in the attrition rate among our customer service associates could decrease our operating efficiency and productivity. Our failure to attract, train and retain customer service associates with the qualifications necessary to fulfill the needs of our existing and future clients would seriously harm our business, results of operations and financial condition.

Our senior management lacks experience in managing a public company and complying with laws applicable to operating as a U.S. public company domiciled in the British Virgin Islands and failure to comply with such obligations could have a material adverse effect on our business.

Prior to the completion of our initial public offering, Taiying operated as a private company located in the PRC. In connection with our initial public offering, the senior management of Taiying formed CCRC in the British Virgin Islands, CBPO in Hong Kong and made WFOE a CCRC subsidiary in the PRC. Taiying, its shareholder, and WFOE also entered into certain agreements that gave CCRC effective control over the operations of Taiying by virtue of its ownership of CBPO and CBPO’s ownership of WFOE. In the process of taking these steps to prepare our company for its initial public offering, Taiying’s senior management became the senior management of CCRC. None of CCRC’s senior management has experience managing a public company or managing a British Virgin Islands company.

As a result of our initial public offering, the Company became subject to laws, regulations and obligations that dis not previously apply to it, and our senior management currently has limited experience in complying with such laws, regulations and obligations. For example, CCRC will need to comply with the British Virgin Islands laws applicable to companies that are domiciled in that country. The senior management is only experienced in operating the business of Taiying in compliance with Chinese laws. Similarly, by virtue of the initial public offering, CCRC is required to file annual reports in compliance with U.S. securities and other laws. These obligations can be burdensome and complicated, and failure to comply with such obligations could have a material adverse effect on CCRC. In addition, we expect that the process of learning about such new obligations as a public company in the United States will require our senior management to devote time and resources to such efforts that might otherwise be spent on the operation of our BPO business.

We may be exposed to liabilities under the Foreign Corrupt Practices Act and Chinese anti-corruption law.

In connection with our initial public offering, we became subject to the U.S. Foreign Corrupt Practices Act ("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 are also subject to the Anti-Unfair Competition Law of the PRC and the relevant anti-bribery provisions in the Criminal Law of the PRC, or together, the "PRC Anti-Bribery Laws." The current PRC Anti-Bribery Laws prohibit the payment of bribes to government officials, private companies or individuals in a commercial transaction or their agents. We have operations, agreements with third parties, and make sales in China, which may experience corruption. Our activities in China create the risk of unauthorized payments or offers of payments by one of the employees, consultants or distributors of our company, because these parties are not always subject to our control. We are in process of implementing an anticorruption program, which prohibits the offering or giving of anything of value to foreign officials, directly or indirectly, for the purpose of obtaining or retaining business. The anticorruption program also requires that clauses mandating compliance with our policy be included in all contracts with foreign sales agents, sales consultants and distributors and that they certify their compliance with our policy annually. It further requires all hospitality involving promotion of sales to foreign governments and government-owned or controlled entities to be in accordance with specified guidelines. In the meantime, we believe to date we have complied in all material respects with the provisions of the FCPA and the PRC Anti-Bribery Laws.

However, our existing safeguards and any future improvements may prove to be less than effective, and the employees, consultants or distributors of our Company may engage in conduct for which we might be held responsible. Violations of the FCPA or PRC Anti-Bribery Laws may result in severe criminal or administrative sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition. In addition, the government may seek to hold our company liable for successor liability FCPA violations committed by companies in which we invest or that we acquire.

Our quarterly operating results are difficult to predict and may fluctuate significantly from period to period in the future.

Our quarterly operating results may differ significantly from period to period due to factors such as, without limitation:

- client losses or program terminations;
- variations in the volume of business from clients resulting from changes in our clients' operations;
- delays or difficulties in expanding our operational facilities and infrastructure;
- changes to our pricing structure or that of our competitors;
- inaccurate estimates of resources and time required to complete ongoing programs;
- inaccurate estimates of amounts billed by our clients for the services we provided during such period;
- currency fluctuation;
- ability to hire and train new employees;
- seasonal changes in the operations of our clients;
- a deterioration of economic conditions in the PRC;
- potential changes to the regulation of the advertising, Internet and wireless communications industries in the PRC; and
- seasonality of economic activities in the PRC, such as the anticipated decrease in outbound calling during January and February each year due to the Chinese Lunar New Year holiday, and the anticipated decrease in revenues during July and August due to overall slow commercial activities during the summer months.

As a result, you may not be able to rely on period-to-period comparisons of our operating results as an indication of our future performance. If our revenues for a particular quarter are lower than we expect, we may be unable to reduce our operating expenses for that quarter by a corresponding amount, which would harm our operating results for that quarter relative to our operating results from other quarters.

We have limited business insurance coverage. Any future business liability, disruption or litigation we experience might divert management focus from our business and could significantly impact our financial results.

Availability of business insurance products and coverage in the PRC is limited, and most such products are expensive in relation to the coverage offered. We have determined that the risks of disruption, cost of such insurance and the difficulties associated with acquiring such insurances on commercially reasonable terms make it impractical for us to maintain such insurances. As a result, we do not have any business liability, disruption or litigation insurance coverage for our operations in the PRC. Accordingly, a business disruption, litigation or natural disaster may result in substantial costs and divert management's attention from our business, which would have an adverse effect on our results of operations and financial condition.

We may require additional financing in the future and our operations could be curtailed if we are unable to obtain required additional financing when needed.

We may need to obtain additional debt or equity financing to fund future capital expenditures. While we do not anticipate seeking additional financing in the immediate future, any additional equity financing may result in dilution to the holders of our outstanding shares of capital stock. Additional debt financing may put us in situations that would restrict our freedom to operate our business, such as situations that:

- limit our ability to pay dividends or require us to seek consent for the payment of dividends;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flow to fund capital expenditures, working capital and other general corporate purposes; and
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

We cannot guaranty that we will be able to obtain additional financing on terms that are acceptable to us, or any financing at all.

Potential disruptions in the capital and credit markets may adversely affect our business, including the availability and cost of short-term funds for liquidity requirements, which could adversely affect our results of operations, cash flows and financial condition.

Potential changes in the global economy may affect the availability of business and consumer credit. We may need to rely on the credit markets, particularly for short-term borrowings from banks in the PRC, as well as the capital markets, to meet our financial commitments and short-term liquidity needs if internal funds from our operations are not available to be allocated to such purposes. Disruptions in the credit and capital markets could adversely affect our ability to draw on such short-term bank facilities. Our access to funds under such credit facilities is dependent on the ability of the banks that are parties to those facilities to meet their funding commitments, which may be dependent on governmental economic policies in the PRC. Those banks may not be able to meet their funding commitments to us if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests from us and other borrowers within a short period of time.

Long-term disruptions in the credit and capital markets could result from uncertainty, changing or increased regulations, reduced alternatives or failures of financial institutions could adversely affect our access to the liquidity needed for our business. Any disruption could require us to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business needs can be arranged. Such measures may include deferring capital expenditures, and reducing or eliminating discretionary uses of cash.

Continued market disruptions could cause broader economic downturns, which may lead to decreased cellular telephone usage, decreased commercial activities in general, and increased likelihood that customers will be unable to pay for our services. Further, bankruptcies or similar events by China Mobile, its subsidiaries or significant customers, or our other clients may cause us to incur bad debt expense at levels higher than historically experienced. These events would adversely impact our results of operations, cash flows and financial position.

Rapid growth and a rapidly changing operating environment may strain our limited resources.

We may not have adequate operational, administrative and financial resources to sustain the growth we want to achieve. Taiying was incorporated in December 2007. As of December 31, 2018, we had a total of approximately 11,101 full-time employees and 3,135 part-time employees and interns. We have experienced rapid growth in our employee headcount. This expansion has resulted, and will continue to result, in substantial demands on our management resources. To manage our growth, we must develop and improve our existing administrative and operational systems and our financial and management controls and further expand, train and manage our work force. As we continue these efforts, we may incur substantial costs and expend substantial resources due to, among other things, different technology standards, legal considerations and cultural differences.

Our future success also depends on our product development, customer service, sales and marketing. If we fail to manage our growth and expansion effectively, the quality of our services and our customer support may deteriorate and our business may suffer. This could prompt the provincial subsidiaries of China Mobile to discontinue their respective outsourcing relationships with us. We cannot assure that we will be able to efficiently or effectively manage the growth of our operations, recruit top talent and train our personnel. Any failure to efficiently manage our expansion may materially and adversely affect our business and future growth.

We may be classified as a "Resident Enterprise" of China pursuant to the Enterprise Income Tax Law, and subject to unfavorable tax consequences to us and our non-PRC shareholders.

China passed an Enterprise Income Tax Law (the "EIT Law") and implementing rules, both of which became effective on January 1, 2008. Under the EIT Law, resident enterprises pay income tax at the rate of 25% for their worldwide income while non-resident enterprises pay 20% for their income generated from China. As far as the definition of resident enterprises, according to the EIT Law, an enterprise established outside of China with "de facto management bodies" within China is considered a "resident enterprise." 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 of China (the "SAT") issued the Circular 82 Concerning Relevant Issues Regarding Cognizance of Chinese Investment Controlled Enterprises Incorporated Offshore as Resident Enterprises pursuant to Criteria of De Facto Management Bodies ("Circular 82") further interpreting the application of the EIT Law and its implementation to offshore entities controlled by a Chinese enterprise or group. Pursuant to the Circular 82, 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 stamps, board and shareholder minutes are kept in China; and (iv) at least half of its directors with voting rights or senior management frequently reside in China. The SAT issued a bulletin on August 3, 2011 to provide more guidance on the implementation of Circular 82, or Bulletin 45. Bulletin 45 clarifies certain matters relating to resident status determination, post-determination administration and competent tax authorities. In addition, the SAT issued a bulletin on January 29, 2014, which further provides that, among other things, an entity that is classified as a "resident enterprise" in accordance with Circular 82 shall file the application for classifying its status of residential enterprise with the local tax authorities where its main domestic investors are registered. From the year in which the entity is determined to be a "resident enterprise," any dividend, profit and other equity investment gain shall be taxed in accordance with the enterprise income tax law and its implementing rules. A resident enterprise would have to pay a withholding tax at a rate of 10% when paying dividends to its non-PRC shareholders.

We do not believe that our company or its subsidiaries meet the conditions outlined in the preceding paragraph to be classified as a PRC "resident enterprise," since CCRC does not have a PRC enterprise or enterprise group as our primary controlling shareholder, and we are not aware of any offshore company with a corporate structure similar to the company that has been deemed a PRC "resident enterprise" by the PRC tax authorities.

However, as the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body,” we cannot guarantee that the relevant authorities will not make a contrary conclusion to ours. If the PRC tax authorities determine that we are a “resident enterprise” for 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 non-China source income would be subject to PRC enterprise income tax at a rate of 25%. Second, under the EIT Law and its implementing rules, dividends paid to us from our PRC subsidiaries would qualify as “tax-exempt income.” Finally, it is possible that future guidance issued with respect to the new “resident enterprise” classification could result in a situation in 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 shareholders from transferring our shares. In addition to the uncertainty in how the new resident enterprise classification could apply, it is also possible that the rules may change in the future, possibly with retroactive effect. If we are required under the Enterprise Income Tax law to withhold PRC income tax on our dividends payable to our foreign shareholders, or if we are required to pay PRC income tax on the transfer of our shares under the circumstances mentioned above, the value of your investment in our common shares may be materially and adversely affected. It is unclear whether in the event we are considered as a PRC resident enterprise, holders of our shares would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

Our bank accounts are not insured or protected against loss.

WFOE and the Operating Companies maintain cash accounts with various banks and trust companies located in the PRC. Such cash accounts are not insured or otherwise protected. Should any bank or trust company holding such cash deposits become insolvent, or if WFOE or an operating company of ours is otherwise unable to withdraw funds, this entity would lose the cash on deposit with that particular bank or trust company.

We may not pay dividends.

We have not previously paid any cash dividends, and we do not anticipate paying any dividends on our common shares. Although we have achieved net profitability in 2018, 2017 and 2016, we cannot assure that our operations will continue to result in sufficient revenues to enable us to operate at profitable levels or to generate positive cash flows. Furthermore, there is no assurance that our Board of Directors will declare dividends even if we are profitable. Dividend policy is subject to the discretion of our Board of Directors and will depend on, among other things, our earnings, financial condition, capital requirements and other factors. If we determine to pay dividends on any of our common shares in the future, we will be dependent, in large part, on receipt of funds from Taiying. See “Dividend Policy.”

Our growth strategy may prove to be disruptive and divert management resources, which could adversely affect our existing businesses.

Our growth strategy includes the continued expansion of Taiying’s call center operations and may include strategic acquisitions of competitive operators. We do not have any understanding, commitment or agreement in place with regard to any such acquisitions at this time. The implementation of such strategies may involve large transactions and present financial, managerial and operational challenges, including diversion of management attention from existing businesses, difficulty with integrating personnel and financial and other systems, increased expenses, including compensation expenses resulting from newly-hired employees, assumption of unknown liabilities and potential disputes. We also could experience financial or other setbacks if any of our growth strategies encounter problems of which we are not presently aware.

We expect to allocate a portion of the net proceeds from our initial public offering to such acquisitions, but we have not yet located any potential targets, and we may be unable to do so. Further, even if we find a target we believe to be suitable, we may be unable to negotiate acquisition terms that are satisfactory to us. In the event we are unable to complete acquisitions, we will reserve the right to reallocate such funds to our working capital. If this happens, we would have broad discretion over the ultimate use of such funds, and we could use such funds in ways with which investors might disagree.

Furthermore, any such acquisitions must comply with all PRC laws and regulations applicable to such transactions. The regulatory environment that governs mergers and acquisitions in the PRC has continued to evolve in recent years and remains subject to interpretation by the agencies that have responsibility for reviewing or approving such transactions. Compliance with such regulations in the process of structuring, negotiating and closing such transactions will require us to expend company resources that would otherwise be available for and used in the management and operation of the Company, all of which could have an adverse effect on our operations and financial results.

The misappropriation of our intellectual property could have a material adverse effect on our business, financial condition and results of operations.

Our intellectual property rights are important to our business. We rely on a combination of trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property. We presently hold two patents, one registered trademark and have been granted registered computer software ownership rights to 81 pieces of intellectual property rights by the China State Copyright Bureau. In addition, we enter into confidentiality agreements with some of our employees and consultants, and control access to and distribution of our documentation and other licensed information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use our technology without authorization, or to develop similar technology independently. Since the Chinese legal system in general, and the intellectual property regime in particular, is relatively weak, it is often difficult to enforce intellectual property rights in China. In addition, confidentiality agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in China or elsewhere. In addition, policing any unauthorized use of our intellectual property is difficult, time-consuming and costly and the steps we have taken may be inadequate to prevent the misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources. We can provide no assurance that we will prevail in such litigation. Any failure in protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to Our Corporate Structure

WFOE’s contractual arrangements with Taiying may result in adverse tax consequences to us.

We could face material and adverse tax consequences if the PRC tax authorities determine that WFOE’s contractual arrangements with Taiying were not made on an arm’s length basis and adjust our income and expenses for PRC tax purposes in the form of a transfer pricing adjustment. A transfer pricing adjustment could result in a reduction, for PRC tax purposes, of adjustments recorded by Taiying, which could adversely affect us by increasing Taiying’s tax liability without reducing WFOE’s tax liability, which could further result in late payment fees and other penalties to Taiying for underpaid taxes, all of which could have a material adverse effect on our results of operations and financial condition.

WFOE's contractual arrangements with Taiying may not be as effective in providing control over Taiying as direct ownership.

We conduct substantially all of our operations, and generate substantially all of our revenues, through contractual arrangements with Taiying that provide us, through our ownership of WFOE, with effective control over Taiying. We depend on Taiying to hold and maintain contracts with our customers. Taiying also own substantially all of our intellectual property, facilities and other assets relating to the operation of our business, and employ the personnel for substantially all of our business. Neither our company nor WFOE has any ownership interest in Taiying. Although we have been advised by our PRC legal counsel, that each contract under WFOE's contractual arrangements with Taiying is valid, binding and enforceable under current PRC laws and regulations, these contractual arrangements may not be as effective in providing us with control over Taiying as direct ownership of Taiying would be. In addition, Taiying may breach the contractual arrangements. For example, Taiying may decide not to make contractual payments to WFOE, and consequently to our company, in accordance with the existing contractual arrangements. In the event of any such breach, we would have to rely on legal remedies under PRC law. These remedies may not always be effective, particularly in light of uncertainties in the PRC legal system.

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, we could be subject to sanctions. In addition, changes in such PRC laws and regulations may materially and adversely affect our business.

Foreign ownership of a call center BPO and related business, is subject to restrictions under current PRC laws and regulations. For example, foreign investors are not allowed to own more than 50% of the equity interests in a value-added telecommunication service provider and any such foreign investor must have experience in providing value-added telecommunications services overseas and maintain a good track record.

We are a BVI company and our PRC subsidiary WFOE is considered a foreign-invested enterprise. To comply with PRC laws and regulations, we conduct our business in China through WFOE, Taiying and its subsidiaries based on a series of contractual arrangements by and among WFOE, Taiying and its shareholders, which enable us to:

- exercise effective control over Taiying and its subsidiaries;
- receive substantially all of the economic benefits and bear the obligation to absorb substantially all of the losses of Taiying; and
- have an exclusive option to purchase all or part of the equity interests in Taiying when and to the extent permitted by PRC law.

Because of these contractual arrangements, we are the primary beneficiary of Taiying and hence consolidate its financial results as our variable interest entity.

In the opinion of our PRC legal counsel, (a) our current ownership structure of our WFOE and Taiying, both comply with all existing PRC laws and regulations; and (b) each of the contractual arrangements is valid, binding and enforceable in accordance with its terms and applicable PRC Laws, and will not result in any violation of PRC laws or regulations currently in effect. However, our PRC legal counsel has also advised us that there are substantial uncertainties regarding the interpretation and application of PRC Laws and future PRC Laws, and there can be no assurance that the PRC authorities may take a view that is contrary to or otherwise different from our PRC legal counsel.

It is uncertain whether any new PRC laws, rules or regulations relating to contractual arrangements structures will be adopted or if adopted, what they would provide. Further, the effectiveness of newly enacted laws, regulations or amendments may be delayed, resulting in detrimental reliance by foreign investors. If CCRC, WFOE or Taiying are found to be in violation of any existing or future PRC laws, rules or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures, including, sanctions, fines, revoking the business and operating licenses of WFOE or Taiying, requiring us to discontinue or restrict our operations, restricting our right to collect revenue, requiring us to restructure our operations or taking other regulatory or enforcement actions against us. 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 Taiying in our consolidated financial statements. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention. Any of these events would have a material adverse effect on our business, financial condition and results of operations.

The shareholder of Taiying has potential conflicts of interest with us, which may adversely affect our business.

Neither WFOE nor we own any portion of the equity interests of Taiying. Instead, we rely on WFOE’s contractual obligations to enforce our interest in receiving payments from Taiying. Conflicts of interests may arise between Taiying’s shareholder and our company if, for example, its interests in receiving dividends from Taiying were to conflict with our interest requiring these companies to make contractually obligated payments to WFOE. As a result, we have required Taiying and its sole shareholder to execute irrevocable powers of attorney to appoint the individual designated by us to be his attorney-in-fact to vote on their behalf on all matters requiring shareholder approval by Taiying and to require Taiying’s compliance with the terms of its contractual obligations. We cannot assure, however, that when conflicts of interest arise, the shareholder will act completely in our interests or that conflicts of interests will be resolved in our favor. In addition, this shareholder could violate its agreements with us by diverting business opportunities from us to others. If we cannot resolve any conflicts of interest between us and Taiying’s shareholder, we would have to rely on legal proceedings, which could result in substantial costs and diversion of management attention and resources, all of which could have a material adverse effect on our business, financial condition and results of operations.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders to personal liability and limit our ability to inject capital into our PRC subsidiary, limit our subsidiary’s ability to increase its registered capital, distribute profits to us, or otherwise adversely affect us.

On July 4, 2014, China’s State Administration for Foreign Exchange (“SAFE”) issued the Circular of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles, or Circular 37, which became effective as of July 4, 2014. According to Circular 37, prior registration with the local SAFE branch is required for PRC residents to contribute domestic assets or interests to offshore companies, known as a special purpose vehicle (SPV). Moreover, Circular 37 applies retroactively. As a result, PRC residents who have contributed domestic assets or interests to a SPV, but failed to complete foreign exchange registration of overseas investments as required before July 4, 2014 shall send a letter to SAFE and its branches for explanation. SAFE and its branches shall, under the principle of legality and legitimacy, conduct supplementary registration, and impose administrative punishment on those in violation of the administrative provisions on the foreign exchange pursuant to the law.

We attempt to comply, and attempt to ensure that our shareholders who are subject to these rules comply, with the relevant requirements. However, we cannot provide any assurances that all of our shareholders who are PRC residents will make or obtain any applicable registrations or comply with other requirements required by Circular 37 or other related rules. The failure or inability of our PRC resident shareholders to make any required registrations or comply with other requirements may subject such shareholders to fines and legal sanctions and may also limit our ability to contribute additional capital into or provide loans to (including using the proceeds from our initial public offering) WFOE or Taiying, limiting their ability to pay dividends or otherwise distributing profits to us.

We rely on dividends paid by WFOE for our cash needs.

We rely primarily on dividends paid by WFOE for our cash needs, including the funds necessary to pay dividends and other cash distributions, if any, to our shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities organized in the PRC is subject to limitations as described herein. Under British Virgin Islands law, we may only pay dividends from surplus (the excess, if any, at the time of the determination of the total assets of our company over the sum of our liabilities, as shown in our books of account, plus our capital), and we must be solvent before and after the dividend payment in the sense that we will be able to satisfy our liabilities as they become due in the ordinary course of business; and the realizable value of assets of our company will not be less than the sum of our total liabilities, other than deferred taxes as shown on our books of account, and our capital. If we determine to pay dividends on any of our common shares in the future, as a holding company, we will be dependent on receipt of funds from WFOE. See “Dividend Policy.”

Pursuant to the Implementation Rules for the Chinese Enterprise Income Tax Law, effective on January 1, 2008, dividends payable by a foreign investment entity to its foreign investors are subject to a withholding tax of up to 10%. Pursuant to Article 10 of the Arrangement Between the Mainland of China and the Hong Kong Special Administration Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income effective December 8, 2006, dividends payable by a foreign investment entity to its Hong Kong investor who owns 25% or more of the equity of the foreign investment entity is subject to a withholding tax of up to 5%.

The payment of dividends by entities organized in the PRC is subject to limitations, procedures and formalities. Regulations in the PRC currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. WFOE is also required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its compulsory reserves fund until the accumulative amount of such reserves reaches 50% of its registered capital.

The transfer to this reserve must be made before distribution of any dividend to shareholders. The surplus reserve fund is non-distributable other than during liquidation and can be used to fund previous years’ losses, if any, and may be utilized for business expansion or converted into share capital by issuing new shares to existing shareholders in proportion to their shareholding or by increasing the par value of the shares currently held by them, provided that the remaining reserve balance after such issue is not less than 25% of the registered capital. As of December 31, 2018 and 2017, the accumulated appropriations to statutory reserves amounted to $3,916,149 and $2,597,031 respectively.

WFOE is required to allocate a portion of its after-tax profits, as determined by its board of directors, to the general reserve, and the staff welfare and bonus funds, which may not be distributed to equity owners.

Pursuant to the “Wholly Foreign-Owned Enterprise Law of the P.R. China (2016 Revision)” and “Implementing Rules for the Law of the People’s Republic of China on Wholly Foreign Owned Enterprises (2014 Revision)”, WFOE is required to allocate a portion of its after-tax profits in accordance with its Articles of Association, to the general reserve, and the staff welfare and bonus funds. No lower than 10% of an enterprise’s after tax-profits should be allocated to the general reserve. When the general reserve account balance is equal to or greater than 50% of the WFOE’s registered capital, no further allocation to the general reserve account is required. According to the Articles of Association of WFOE, WFOE’s board of directors determines the amount contributed to the staff welfare and bonus funds. The staff welfare and bonus fund is used for the collective welfare of the staff of WFOE. These reserves represent appropriations of retained earnings determined according to PRC law.

As of the date of this annual report, the amounts of these reserves have not yet been determined, and we have not committed to establishing such amounts at this time. Under current PRC laws, WFOE is required to set aside reserve amounts, but has not yet done so. WFOE has not done so because PRC authorities grant companies flexibility in making a determination. PRC law requires such a determination to be made in accordance with the company's organizational documents and WFOE's organizational documents do not require the determination to be made within a particular timeframe. Although we have not yet been required by PRC authorities to make such determinations or set aside such reserves, PRC authorities may require WFOE to rectify its noncompliance and we may be fined if we fail to do so after receiving a warning within its set time period.

Additionally, PRC law provides that a PRC company must allocate a portion of after-tax profits to the general reserve and the staff welfare and bonus funds reserve prior to the retention of profits or the distribution of profits to foreign invested companies. Therefore, if for any reason, the dividends from WFOE cannot be repatriated to us or not in time, our cash flow may be adversely impacted or we may become insolvent.

WFOE is required to make a payment under its agreement to bear the losses of Taiying, thus our liquidity may be adversely affected, which could harm our financial condition and results of operations.

On September 3, 2014, WFOE entered into an Entrusted Management Agreement with Taiying. Pursuant to the Entrusted Management Agreement, WFOE agreed to bear the losses of Taiying. If Taiying suffers losses and WFOE is required to absorb all or a portion of such losses, WFOE will be required to seek reimbursement from Taiying. In such event, it is unlikely that Taiying will be able to make such reimbursement and WFOE may be unable to recoup the loss WFOE absorbed at such time, if ever. Further, under the Entrusted Management Agreement, WFOE may absorb the losses at a time when WFOE does not have sufficient cash to make such payment and at a time when WFOE or we may be unable to borrow such funds on terms that are acceptable, if at all. As a result, any losses absorbed under the Entrusted Management Agreement may have an adverse effect on our liquidity, financial condition and results of operations.

Our business may be materially and adversely affected if any of our Operating Companies declare bankruptcy or become subject to a dissolution or liquidation proceeding.

The Enterprise Bankruptcy Law of China provides that an enterprise may be liquidated if the enterprise fails to settle its debts as and when they fall due and if the enterprise's assets are, or are demonstrably, insufficient to clear such debts.

Our Operating Companies hold certain assets that are important to our business operations. If any of our Operating Companies undergoes a voluntary or involuntary liquidation proceeding, unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

Our failure to obtain prior approval of the China Securities Regulatory Commission ("CSRC") for the listing and trading of our common shares on a foreign stock exchange could have a material adverse effect upon our business, operating results, reputation and trading price of our common shares.

On August 8, 2006, six PRC regulatory agencies, including the Ministry of Commerce of the People's Republic of China ("MOFCOM"), the State Assets Supervision and Administration Commission, the State Administration of Taxation, the State Administration for Industry and Commerce, the CSRC and SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, which was subsequently revised on June 22, 2009 (the "New M&A Rule") which became effective on September 8, 2006 and was amended on June 22, 2009. The New M&A Rule contains provisions that require that an offshore special purpose vehicle (SPV) formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals shall obtain the approval of the CSRC prior to the listing and trading of such SPV's securities on an overseas stock exchange. On September 21, 2006, the CSRC published Provisions on Indirect Issuance of Securities Overseas by a Domestic Enterprise or Overseas Listing of Its Securities for Trading, which specify documents and materials required to be submitted to the CSRC by a SPV seeking CSRC's approval for overseas listings.

However, the application of the New M&A Rule remains unclear with no consensus currently existing among leading PRC law firms regarding the scope and applicability of the CSRC approval requirement. Our PRC counsel, GFE Law Firm, has given us the following advice, based on their understanding of current PRC laws and regulations:

- We currently control our PRC affiliate, Taiying, by virtue of WFOE's VIE agreements with Taiying, not through equity interest or asset acquisition which are stipulated in the New M&A Rule; and

- In spite of the lack of clarity on this issue, the CSRC has not issued any definitive rule or interpretation regarding whether offerings like our initial public offering are subject to the New M&A Rule.

The CSRC has not issued any such definitive rule or interpretation, and we have not chosen to voluntarily request approval under the New M&A Rule. We did not obtain CSRC approval prior to our initial public offering. If prior CSRC approval was required, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory authorities. These authorities may impose fines and penalties upon our operations in the PRC, limit our operating privileges in the PRC, delay or restrict the repatriation of the proceeds from our initial public offering into the PRC, or take other actions that could have a material adverse effect upon our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our common shares.

Failure to comply with the Individual Foreign Exchange Rules relating to the overseas direct investment or the engagement in the issuance or trading of securities overseas by our Chinese resident shareholders may subject such shareholders to fines or other liabilities.

Other than Circular 37, our ability to conduct foreign exchange activities in China may be subject to the interpretation and enforcement of the Implementation Rules of the Administrative Measures for Individual Foreign Exchange promulgated by SAFE in January 2007 (as amended and supplemented, the "Individual Foreign Exchange Rules"). Under the Individual Foreign Exchange Rules, any Chinese individual seeking to make a direct investment overseas or engage in the issuance or trading of negotiable securities or derivatives overseas must make the appropriate registrations in accordance with SAFE provisions. Chinese individuals who fail to make such registrations may be subject to warnings, fines or other liabilities.

We may not be fully informed of the identities of all our beneficial owners who are Chinese residents. For example, because the investment in or trading of our shares will happen in an overseas public or secondary market where shares are often held with brokers in brokerage accounts, it is unlikely that we will know the identity of all of our beneficial owners who are Chinese residents. Furthermore, we have no control over any of our future beneficial owners and we cannot assure you that such Chinese residents will be able to complete the necessary approval and registration procedures required by the Individual Foreign Exchange Rules.

It is uncertain how the Individual Foreign Exchange Rules will be interpreted or enforced and whether such interpretation or enforcement will affect our ability to conduct foreign exchange transactions. Because of this uncertainty, we cannot be sure whether the failure by any of our Chinese resident shareholders to make the required registration will subject our subsidiaries to fines or legal sanctions on their operations, restriction on remittance of dividends or other punitive actions that would have a material adverse effect on our business, results of operations and financial condition.

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 Jumpstart Our Business Startups Act, or 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, reduced disclosure obligations regarding executive compensation in our periodic reports and 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 for up to five years, although we could lose that status sooner if our revenues exceed $1 billion, if we issue more than $1 billion in non-convertible debt in a three year period, or if the market value of our commons shares held by non-affiliates exceeds $700 million as of any December 31 before that time, in which case we would no longer be an emerging growth company as of the following December 31. We cannot predict if investors will find our common shares less attractive because we may rely on these exemptions. If some investors find our common shares less attractive as a result, there may be a less active trading market for our commons shares and our share price may be more volatile.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail our company of this exemption from new or revised accounting standards and, therefore, are subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

We are a "foreign private issuer," and our disclosure obligations differ from those of U.S. domestic reporting companies. As a result, we may not provide you the same information as U.S. domestic reporting companies or we may provide information at different times, which may make it more difficult for you to evaluate our performance and prospects.

We are a foreign private issuer and, as a result, we are not subject to the same requirements as U.S. domestic issuers. Under the Exchange Act, we will be subject to reporting obligations that, to some extent, are more lenient and less frequent than those of U.S. domestic reporting companies. For example, we will not be required to issue quarterly reports or proxy statements. We will not be required to disclose detailed individual executive compensation information. Furthermore, our directors and executive officers will not be required to report equity holdings under Section 16 of the Exchange Act and will not be subject to the insider short-swing profit disclosure and recovery regime.

As a foreign private issuer, we will also be exempt from the requirements of Regulation FD (Fair Disclosure) which, generally, are meant to ensure that select groups of investors are not privy to specific information about an issuer before other investors. However, we will still be subject to the anti-fraud and anti-manipulation rules of the SEC, such as Rule 10b-5 under the Exchange Act. Since many of the disclosure obligations imposed on us as a foreign private issuer differ from those imposed on U.S. domestic reporting companies, you should not expect to receive the same information about us and at the same time as the information provided by U.S. domestic reporting companies.

Foreign Operational Risks

We are dependent on the state of the PRC's economy as all of our business is conducted in the PRC and a decline would have a material adverse effect on our business, financial condition and results of operations.

Currently, all of our business operations are conducted in the PRC, and all of our customers are also located in the PRC. Accordingly, any material slowdown in the PRC economy may cause our customers to reduce expenditures or delay the building of new facilities or projects. This may in turn lead to a decline in the demand for the services we provide. Any such decline would have a material adverse effect on our business, financial condition and results of operations.

A general economic downturn, a recession or a sudden disruption in business conditions in the PRC may affect consumer spending on discretionary items, including cellular telephone services and MVAS, which could adversely affect our business.

Consumer spending is generally affected by a number of factors, including general economic conditions, the level of unemployment, inflation, interest rates, energy costs, gasoline prices and consumer confidence generally, all of which are beyond our control. Consumer purchases of discretionary items tend to decline during recessionary periods, when disposable income is lower, and may impact sales of our services. In addition, sudden disruption in business conditions as a result of a terrorist attack, retaliation and the threat of further attacks or retaliation, war, adverse weather conditions and climate changes or other natural disasters, pandemic situations or large scale power outages can have a short or, sometimes, long-term impact on consumer spending. A downturn in the economy in the PRC, including any recession or a sudden disruption of business conditions in the PRC, could adversely affect our business, financial condition or results of operation.

Since our operations and assets are located in the PRC, shareholders may find it difficult to enforce a U.S. judgment against the assets of our company, our directors and executive officers.

Our operations and assets are located in the PRC. In addition, all of our executive officers and directors are non-residents of the U.S., and substantially all the assets of such persons are located outside the U.S. As a result, it could be difficult for investors to effect service of process in the U.S., or to enforce a judgment obtained in the U.S. against us or any of these persons.

Although we do not import goods into or export goods out of the PRC, fluctuation of the Renminbi ("RMB") may indirectly affect our financial condition by affecting the volume of cross-border money flow.

Although we use the United States dollar for financial reporting purposes, all of the transactions effected by WFOE and Taiying are denominated in the PRC's currency, the RMB. The value of the RMB fluctuates and is subject to changes in the PRC's political and economic conditions. We do not currently engage in hedging activities to protect against foreign currency risks. Even if we choose to engage in such hedging activities, we may not be able to do so effectively. Future movements in the exchange rate of the RMB could adversely affect our financial condition as we may suffer financial losses when transferring money raised outside of China into the country or paying vendors for services performed outside of China.

If any dividend is declared in the future and paid in a foreign currency, you may be taxed on a larger amount in U.S. dollars than the U.S. dollar amount that you will actually ultimately receive.

If you are a United States holder, you will be taxed on the U.S. dollar value of your dividends, if any, at the time you receive them, even if you actually receive a smaller amount of U.S. dollars when the payment is in fact converted into U.S. dollars. Specifically, if a dividend is declared and paid in a foreign currency, the amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the payments made in the foreign currency, determined at the spot rate of the foreign currency to the U.S. dollar on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Thus, if the value of the foreign currency decreases before you actually convert the currency into U.S. dollars, you will be taxed on a larger amount in U.S. dollars than the U.S. dollar amount that you will actually ultimately receive.

We may become a passive foreign investment company, which could result in adverse U.S. tax consequences to U.S. investors.

Based on the nature of our business activities, we may be classified as a passive foreign investment company ("PFIC"), by the U.S. Internal Revenue Service ("IRS"), for U.S. federal income tax purposes. Such characterization could result in adverse U.S. tax consequences to you if you are a U.S. investor. For example, if we are a PFIC, a U.S. investor will become subject to burdensome reporting requirements. The determination of whether or not we are a PFIC is made on an annual basis and will depend on the composition of our income and assets from time to time. Specifically, we will be classified as a PFIC for U.S. tax purposes if either:

- 75% or more of our gross income in a taxable year is passive income; or

- the average percentage of our assets by value in a taxable year that produce or are held for the production of passive income (which includes cash) is at least 50%.

The calculation of the value of our assets is based, in part, on the then market value of our common shares, which is subject to change. In addition, the composition of our income and assets will be affected by how, and how quickly, we spend the cash we raised in our initial public offering. We cannot assure that we will not be a PFIC for any taxable year. See "Taxation – United States Federal Income Taxation-Passive Foreign Investment Company."

Introduction of new laws or changes to existing laws by the PRC government may adversely affect our business.

The PRC legal system is a codified legal system made up of written laws, regulations, circulars, administrative directives and internal guidelines. Unlike common law jurisdictions such as the U.S., decided cases (which may be taken as reference) do not form part of the legal structure of the PRC and thus have no binding effect. Furthermore, in line with its transformation from a centrally planned economy to a more market-oriented economy, the PRC government is still in the process of developing a comprehensive set of laws and regulations. As the legal system in the PRC is still evolving, laws and regulations or their interpretation may be subject to further changes. Such uncertainty and prospective changes to the PRC legal system could adversely affect our results of operations and financial condition.

Governmental control of currency conversion may affect the value of your investment.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC, which may take as long as six months in the ordinary course. We receive the majority of our revenues in Renminbi. Under our current corporate structure, our income is derived from payments from WFOE. Shortages in the availability of foreign currency may restrict the ability of WFOE to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from the PRC SAFE by complying with certain procedural requirements. However, approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders. See "Business Overview – Regulations on Foreign Currency Exchange and Dividend Distribution."

Fluctuation of the Renminbi could materially affect our financial condition and results of operations

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an appreciation of the Renminbi against the U.S. dollar. While the international reaction to the Renminbi revaluation has generally been positive, there remains international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more rapid appreciation of the Renminbi against the U.S. dollar. Any material revaluation of Renminbi may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, our common shares in U.S. dollars. For example, an appreciation of Renminbi against the U.S. dollar would make any new Renminbi denominated investments or expenditures more costly to us, to the extent that we need to convert U.S. dollars into Renminbi for such purposes. See “Exchange Rate Information.”

Our business benefits from certain government grants and incentives, and such grants decreased significantly during 2018. Expiration, reduction or discontinuation of, or changes to, these incentives will increase our burden and reduce our net income.

The Company has received grants from various governmental agencies after meeting certain conditions, such as locating call centers in their jurisdictions or obtaining certain technological certifications. Government grants represented 21% of our net income during 2017. In 2018, grants represented 10% of net income.

The Company has benefitted from such grants and subsidies. In particular, the grants and subsidies that the Company received in 2018 included but not limited to:

- Rent subsidies of a total of RMB 596,960 from Management Committee of Taian High-Tech Industry Development Zone for moving in the provincial startup zone;
- Electricity subsidies of a total pf RMB 198,000 from Management Committee of Taian High-Tech Industry Development Zone for moving in the provincial startup zone;
- A recurring subsidy of a total of RMB 1,362,122 from the Management Development Committee of Huaian Software Zone for tax returns of the 3rd and 4th quarters of 2017 and 1st quarter of 2018;
- A one-time subsidy of RMB 870,000 from Taian City Department of Commerce for 2017 city wide high-tech enterprises;
- A recurring subsidy of a total of RMB 1,586,400 from Chongqing City Human Resources Communication Center for college internship development;
- A one-time subsidy of RMB 700,000 from Taian City Department of Commerce for 2017 international business and economics development;
- A one-time subsidy of RMB 595,800 from Nanchang City Department of Commerce for 2016 service outsourcing industry development support;
- A one-time subsidy of RMB 500,000 from Taian City Department of Commerce for financial support of High-tech Zone;
- A one-time subsidy of RMB 500,000 from Sanhe City Department of Commerce for 2017 international business and economics development (service outsourcing technology export);
- A one-time subsidy of RMB 264,600 from Taian City Department of Human Resources and Social Security for 2017 employment and internship support;
- A one-time subsidy of RMB 110,000 from Sanhe City Department of Commerce for 2018 service outsourcing support in Hebei Province;
- A one-time subsidy of RMB 100,000 from Sanhe City Department of Commerce for 2017 service outsourcing support;
- A one-time subsidy of RMB 100,000 from Sanhe City Department of Commerce for service outsourcing support in Langfang City;
- A recurring subsidy of a total of RMB 154,400 from Shushan District Department of Human Resources and Social Security for stabilizing employment;
- A one-time subsidy of RMB 55,655 from Nanjing City Gaochun District Tile Headquarter Economic Development Zone Management Co., Ltd., for supporting enterprise development;

- A one-time subsidy of RMB 20,000 from Taizhou Data Industrial Park Management Committee for advanced enterprises with innovative technology;
- A one-time tax return of RMB 15,305 from Taian City High-tech District Department of Local Tax;
- A one-time subsidy of RMB 11,029 from Hefei City Department of Social Security for stabilizing employment;
- A recurring tax returns of a total of RMB 9,453 from Department of Local Tax Shushan District Branch for 2016 and 2017;
- A one-time subsidy of RMB 171,000 from Taizhou City Department of Commerce for research development and professional development supports;
- A one-time subsidy of RMB 56,800 from High-tech District Department Science and Education for provincial high-tech enterprises;
- A one-time subsidy of RMB 50,000 from Development and Reform Committee of High-tech District for district service development;
- A one-time subsidy of RMB 30,000 from the Administration of Market Supervision and Management;
- A one-time subsidy of RMB 300,000 from the Management Committee of Data Zone;
- A recurring subsidy of total RMB 159,876 from Social Security Fund Management Center of Huaian Economics Technology Development District, Jiangsu Province for 2016 and 2017 stabilizing employment support;
- A one-time subsidy of RMB 274,700 from Social Security Fund Management Center of Huaian Economics Technology Development District, Jiangsu Province for service outsourcing development;
- A one-time subsidy of RMB 100,000 from Qingshan Lake District Department of Science and Technology for high-tech enterprises support;
- A one-time subsidy of RMB 4,200 from High-tech District Communist Party of China Working Committee for party members;
- A recurring subsidy of RMB 69,300 from Taian City Department of Human Resources and Social Security for 2017 stabilizing employment support;
- A one-time subsidy of RMB 61,390 from Yantai City Department of Science and Technology for technology development support;
- A one-time subsidy of RMB 194,000 from Taierzhuang City Department of Human Resources and Social Security for start-up enterprises support;
- A one-time tax return of RMB 31,900 from Chongqing City Yongchuan District Department of Local Tax;
- A one-time subsidy of RMB 187,400 from Yongchuan District Department of Human Resources and Social Security Unemployment Office for college student social security support;
- A one-time subsidy of RMB 3,000 from Yongchuan District Department of Science and Technology for high-tech enterprises support.

In addition, Taiying was entitled to a 15% income tax rate for 2016, 2017 and 2018 and Central BPO, JTTC, SCBI, JTIS, HTCC, JXTT, and XTTC were entitled to the 15% income tax rate beginning in 2017. ZSEC was entitled to the 15% income tax rate beginning in 2018. The preferential income tax rate is less than the standard 25% income tax rate in the PRC.

The local PRC government authorities may reduce or eliminate these incentives through new legislation at any time in the future. In the event Taiying and its applicable subsidiaries are no longer exempt from lowered income taxation, their applicable tax rate would increase from 15% to up to 25%, the standard business income tax rate in the PRC. In addition, the termination of one-time subsidies for call center business development could increase the burden of constructing and operating call centers of such size in the future. The reduction or discontinuation of any of these economic incentives could negatively affect our business and operations.

PRC's labor law restricts our ability to reduce our workforce in the PRC in the event of an economic downturn and may increase our production costs.

The PRC Labor Contract Law, effective on July 1, 2013, is considered one of the strictest labor laws in the world, which, among other things, provides for specific standards and procedures for the termination of an employment contract and places the burden of proof on the employer. The law requires the payment of a statutory severance pay upon the termination of an employment contract in most cases, including the case of the expiration of a fixed-term employment contract. Further, it requires an employer to conclude an "employment contract without a fixed-term" with any employee who either has worked for the same employer for 10 consecutive years or more or has had two consecutive fixed-term contracts with the same employer. An "employment contract without a fixed term" can no longer be terminated on the ground of the expiration of the contract, although it can still be terminated pursuant to the standards and procedures set forth under the new law. Because of the lack of precedent for the enforcement of such a law, the standards and procedures set forth under the law in relation to the termination of an employment contract have raised concerns among foreign investment enterprises in the PRC that such an "employment contract without a fixed term" might in fact become a "lifetime, permanent employment contract."

In addition, under the PRC Labor Contract Law, downsizing of either more than 20 people or more than 10% of the workforce may occur only under specified circumstances, such as a restructuring undertaken pursuant to the PRC's Enterprise Bankruptcy Law, or where a company suffers serious difficulties in production and/or business operations, or where there has been a material change in the objective economic circumstances relied upon by the parties at the time of the conclusion of the employment contract, thereby making the performance of such employment contract not possible. All of our employees working for us exclusively within the PRC are covered by the PRC Labor Contract Law and thus, our ability to adjust the size of our operations when necessary in periods of recession or less severe economic downturns may be curtailed. Accordingly, if we face future periods of decline in business activity generally or adverse economic periods specific to our business, this new law can be expected to exacerbate the adverse effect of the economic environment on our results of operations and financial condition.

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

Companies operating in China are required 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. If any of PRC companies controlled by us are deemed to have made inadequate employee benefit payments for their employees, we may be required to make up the contributions for these plans as well as to 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.

We may be subject to fines and legal sanctions by SAFE or other PRC government authorities if we or our employees who are PRC citizens fail to comply with PRC regulations relating to employee stock options granted by offshore listed companies to PRC citizens.

On February 15, 2012, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Issues Concerning the Administration of Foreign Exchange Used for Domestic Individuals' Participation in Equity Incentive Plans of Companies Listed Overseas, or Circular 7. Under Circular 7, Chinese citizens who are granted share options by an offshore listed company are required, through a Chinese agent or Chinese subsidiary of the offshore listed company, to register with SAFE and complete certain other procedures, including applications for foreign exchange purchase quotas and opening special bank accounts. In the event we or our Chinese employees are granted share options we and our Chinese employees will subject to Circular 7. Failure to comply with these regulations may subject us or our Chinese employees to fines and legal sanctions imposed by SAFE or other PRC government authorities and may prevent us from further granting options under our share incentive plans to our employees. Such events could adversely affect our business operations.

Changes in PRC's political and economic policies could harm our business.

Substantially all of our business operations are conducted in the PRC. Accordingly, our results of operations, financial condition and prospects are subject to economic, political and legal developments in the PRC. China's economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, and control of foreign exchange and allocation of resources.

The PRC economy has historically been a planned economy subject to governmental plans and quotas and has, in certain aspects, been transitioning to a more market-oriented economy. Although we believe that the economic reform and the macroeconomic measures adopted by the PRC government have had a positive effect on the economic development of PRC, we cannot predict the future direction of these economic reforms or the effects these measures may have on our business, financial position or results of operations. In addition, the PRC economy differs from the economies of most countries belonging to the Organization for Economic Cooperation and Development ("OECD"). These differences include, without limitation:

- economic structure;
- level of government involvement in the economy;
- level of development;

- level of capital reinvestment;
- control of foreign exchange;
- methods of allocating resources; and
- balance of payments position.

As a result of these differences, our business may not develop in the same way or at the same rate as might be expected if the PRC economy were similar to those of the OECD member countries. See “Business Overview– Industry and Market Background.”

Since 1979, the Chinese government has promulgated many new laws and regulations covering general economic matters. Despite these efforts to develop a legal system, the PRC’s system of laws is not yet complete. Even where adequate law exists in the PRC, enforcement of existing laws or contracts based on existing law may be uncertain or sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. The relative inexperience of the PRC’s judiciary, in many cases, creates additional uncertainty as to the outcome of any lawsuit. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes. Our activities in the PRC will also be subject to administration review and approval by various national and local agencies of the PRC’s government. Because of the changes occurring in the PRC’s legal and regulatory structure, we may not be able to secure the requisite governmental approval for our activities. Although we have obtained all required governmental approvals to operate our business as currently conducted, to the extent we are unable to obtain or maintain required governmental approvals, the PRC government may, in its sole discretion, prohibit us from conducting our business. See “Business Overview – Industry and Market Background.”

If relations between the United States and China worsen, our share price may decrease and we may have difficulty accessing U.S. capital markets.

At various times during recent years, the United States and China have had disagreements over political and economic issues. Controversies may arise in the future between these two countries. Any political or trade controversy between the United States and China could adversely affect the market price of our common shares and our ability to access U.S. capital markets.

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

Recently, U.S. public companies that have substantially all of their operations in China, 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, a lack of effective internal controls over financial accounting, inadequate corporate governance policies or a lack of adherence thereto and, in some 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 and our business. 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 the Company. This situation may be a major distraction to our management. If such allegations are not proven to be groundless, our company and business operations will be severely hampered and your investment in our shares could be rendered worthless.

The Chinese government could change its policies toward private enterprise or even nationalize or expropriate private enterprises, which could result in the total loss of our investment in that country.

Our business is subject to political and economic uncertainties and may be adversely affected by political, economic and social developments in the PRC. Over the past several years, the PRC government has pursued economic reform policies including the encouragement of private economic activity and greater economic decentralization. The PRC government may not continue to pursue these policies or may alter them to our detriment from time to time with little, if any, prior notice.

Changes in policies, laws and regulations or in their interpretation or the imposition of confiscatory taxation, restrictions on currency conversion, restrictions or prohibitions on dividend payments to shareholders, devaluations of currency or the nationalization or other expropriation of private enterprises could have a material adverse effect on our business. Nationalization or expropriation could even result in the total loss of our investment in the PRC and in the total loss of any investment in us.

Our subsidiaries' financial statements are prepared under different accounting standards than our consolidated financial statements.

We prepare the financial statements for each of our subsidiaries that are PRC legal entities in accordance with the requirements of generally accepted accounting principles in China, or PRC GAAP. These financial statements drive how we calculate the taxes payable for operations of these subsidiaries. By contrast, we prepare the consolidated financial statements for CCRC in accordance with generally accepted accounting principles in the United States, or U.S. GAAP. The process of consolidating the financial statements and changing from PRC GAAP to U.S. GAAP requires us to make certain adjustments on consolidation. This can result in some discrepancies between the financial statements used to prepare our tax filings in China and the financial statements audited by our independent registered accounting firm and subsequently filed with the SEC. We intend to continue reporting in this manner. To the extent the discrepancies between PRC GAAP and U.S. GAAP are material, we could find, for example, that a PRC subsidiary shows taxable income for which payment of taxes is due, while our U.S. GAAP-audited financial statements show taxable loss.

Because our operations are located in the PRC, information about our operations is not readily available from independent third-party sources.

Because Taiying and WFOE are based in the PRC, our shareholders may have greater difficulty in obtaining information about them on a timely basis than would shareholders of a U.S.-based company. Their operations will continue to be conducted in the PRC and shareholders may have difficulty in obtaining information about them from sources other than the companies themselves. Information available from newspapers, trade journals, or local, regional or national regulatory agencies such as issuance of construction permits and contract awards for development projects will not be readily available to shareholders and, where available, will likely be available only in Chinese. Shareholders will be dependent upon management for reports of their progress, development, activities and expenditure of proceeds.

Risks Related to Ownership of Our Common Shares

The market price for our common shares may be volatile, which could result in substantial losses to investors.

The trading prices for our common shares have fluctuated since we first listed our common shares. Since our common shares became listed on the NASDAQ on December 21, 2015, the trading price of our common shares has ranged from $4.39 to $35.10 per common share, and the last reported trading price on April 25, 2019 was $11.68 per common share. The market price of our common shares may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- actual or anticipated fluctuations in our revenue and other operating results;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- actions of securities analysts who initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- announcements by us or our competitors of significant products or features, technical innovations, acquisitions, strategic partnerships, joint ventures, or capital commitments;
- price and volume fluctuations in the overall stock market, including as a result of trends in the economy as a whole;
- lawsuits threatened or filed against us;
- price and volume fluctuations in the overall stock market, including as a result of trends in the economy as a whole; and
- other events or factors, including those resulting from war or incidents of terrorism, or responses to these events

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. Stock prices of many companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, shareholders have filed securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business, and adversely affect our business.

If our financial condition deteriorates, we may not meet continued listing standards on the NASDAQ Capital Market.

The NASDAQ Capital Market requires companies to fulfill specific requirements in order for their shares to continue to be listed. In order to qualify for continued listing on the NASDAQ Capital Market, we must meet the following criteria:

- Our shareholders' equity must be at least $2,500,000; or the market value of our listed securities must be at least $35,000,000; or our net income from continuing operations in our last fiscal year (or two of the last three fiscal years) must have been at least $500,000;
- The market value of our shares must be at least $1,000,000;
- The minimum bid price for our shares must be at least $1.00 per share;
- We must have at least 300 shareholders;
- We must have at least 2 market makers; and
- We must have adopted NASDAQ-mandated corporate governance measures, including a Board of Directors comprised of a majority of independent directors, an Audit Committee comprised solely of independent directors and the adoption of a code of ethics among other items.

If our shares are delisted from the NASDAQ Capital Market at some later date, our shareholders could find it difficult to sell our shares. In addition, if our common shares are delisted from the NASDAQ Capital Market at some later date, we may apply to have our common shares quoted on the Bulletin Board or in the "pink sheets" maintained by the National Quotation Bureau, Inc. The Bulletin Board and the "pink sheets" are generally considered to be less efficient markets than the NASDAQ Capital Market. In addition, if our common shares are not so listed or are delisted at some later date, our common shares may be subject to the "penny stock" regulations. These rules impose additional sales practice requirements on broker-dealers that sell low-priced securities to persons other than established customers and institutional accredited investors and require the delivery of a disclosure schedule explaining the nature and risks of the penny stock market. As a result, the ability or willingness of broker-dealers to sell or make a market in our common shares might decline. If our common shares are not so listed or are delisted from the NASDAQ Capital Market at some later date or become subject to the penny stock regulations, it is likely that the price of our shares would decline and that our shareholders would find it difficult to sell their shares.

We incur increased costs as a result of being a public company.

As a public company, we incur legal, accounting and other expenses that we did not incur as a private company. For example, we must now engage U.S. securities law counsel and U.S. auditors that we did not require as a private company, and we have annual payments for listing on Nasdaq. In addition, the Sarbanes-Oxley Act, as well as new rules subsequently implemented by the SEC and Nasdaq, have required changes in corporate governance practices of public companies. We expect these new rules and regulations to increase our legal, accounting and financial compliance costs and to make certain corporate activities more time-consuming and costly. In addition, we incur additional costs associated with our public company reporting requirements. While it is impossible to determine the amounts of such expenses, we expect that we incur expenses of between $500,000 and $1 million per year that we did not experience as a private company.

The obligation to disclose information publicly may put us at a disadvantage to competitors that are private companies which could have an adverse effect on our results of operations.

As a reporting company in the United States, we are required to file periodic reports with the Securities and Exchange Commission upon the occurrence of matters that are material to our Company and shareholders. In some cases, we will need to disclose material agreements or results of financial operations that we would not be required to disclose if we were a private company. Our competitors may have access to this information, which would otherwise be confidential. This may give them advantages in competing with our Company. Similarly, as a U.S.-listed public company, we are governed by U.S. laws that our competitors, which are mostly private Chinese companies, are not required to follow. To the extent compliance with U.S. laws increases our expenses or decreases our competitiveness against such companies, our public listing could affect our results of operations.

Securities analysts may not publish favorable research or reports about our business or may publish no information at all, which could cause our stock price or trading volume to decline.

The trading market for our common shares is influenced to some extent by the research and reports that industry or financial analysts publish about us and our business. We do not control these analysts. As a foreign public company, we may be slow to attract research coverage and the analysts who publish information about our common shares will have had relatively little experience with us or our industry, which could affect their ability to accurately forecast our results and could make it more likely that we fail to meet their estimates. In the event we obtain securities or industry analyst coverage, if any of the analysts who cover us provide inaccurate or unfavorable research or issue an adverse opinion regarding our stock price, our stock price could decline. If one or more of these analysts cease coverage of us or fail to publish reports covering us regularly, we could lose visibility in the market, which in turn could cause our stock price or trading volume to decline and result in the loss of all or a part of your investment in us.

Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

We are subject to the periodic reporting requirements of the Exchange Act. We designed our disclosure controls and procedures to provide reasonable assurance that information we must disclose in reports we file or submit under the Exchange Act is accumulated and communicated to management, and recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. We believe that any disclosure controls and procedures, no matter how well-conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements due to error or fraud may occur and not be detected.

If we fail to maintain an effective system of internal control, we may be unable to accurately report our operating results, meet our reporting obligations or prevent fraud.

As a public company in the United States we are subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act of 2002, which requires that we include a report of management on our internal control over financial reporting in this annual report on Form 20-F. In addition, once we cease to be an “emerging growth company” as such term is defined under the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. In addition, after we become a public company, our reporting obligations may place a significant strain on our management, operational and financial resources and systems for the foreseeable future. We may be unable to timely complete our evaluation testing and any required remediation.

During the course of documenting and testing our internal control procedures, in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, we may identify other weaknesses and deficiencies in our internal control over financial reporting. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. Generally, if we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, and harm our results of operations. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations and civil or criminal sanctions.

Our classified board structure may prevent a change in control of our company.

Our board of directors is divided into three classes of directors. Directors of the first class hold office for a term expiring at the next annual meeting of shareholders, directors of the second class hold office for a term expiring at the second succeeding annual meeting of shareholders and directors of the third class hold office for a term expiring as the third succeeding annual meeting shareholders. Directors of each class are chosen for three-year terms upon the expiration of their current terms. The staggered terms of our directors may reduce the possibility of a tender offer or an attempt at a change in control, even though a tender offer or change in control might be in the best interest of our shareholders. See “Management – C. Board Practices.”

Our employees, officers and/or directors control a sizeable amount of our common shares, decreasing your influence on shareholder decisions.

Our employees, officers and/or directors, in the aggregate, beneficially own approximately 28.1% of our outstanding shares. As a result, our employees, officers and directors possess substantial ability to impact our management and affairs and the outcome of matters submitted to shareholders for approval. These shareholders, acting individually or as a group, could exert substantial influence over matters such as electing directors and approving mergers or other business combination transactions. This concentration of ownership and voting power may also discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our common shares. These actions may be taken even if they are opposed by our other shareholders. See “Share Ownership.”

As the rights of shareholders under British Virgin Islands law differ from those under U.S. law, you may have fewer protections as a shareholder.

Our corporate affairs are governed by our memorandum and articles of association, the British Virgin Islands Business Companies Act, 2004 (the "BVI Act"), and the common law of the British Virgin Islands. The rights of shareholders to take legal action against our directors, actions by minority shareholders and the fiduciary responsibilities of our directors under British Virgin Islands law are to a large extent governed by the common law of the British Virgin Islands and by the BVI Act. The common law of the British Virgin Islands is derived in part from comparatively limited judicial precedent in the British Virgin Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the British Virgin Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under British Virgin Islands law are not as clearly established as they would be under statutes or judicial precedents in some jurisdictions in the United States. In particular, the British Virgin Islands has a less developed body of securities laws as compared to the United States, and some states (such as Delaware) have more fully developed and judicially interpreted bodies of corporate law.

As a result of all of the above, holders of our shares may have more difficulty protecting their interests through actions against our management, directors or major shareholders than they would as shareholders of a U.S. company.

British Virgin Islands companies may not be able to initiate shareholder derivative actions, thereby depriving shareholders of the ability to protect their interests.

British Virgin Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States. The circumstances in which any such action may be brought, and the procedures and defenses that may be available with respect to any such action, may result in the rights of shareholders of a British Virgin Islands company being more limited than those of shareholders of a company organized in the United States. Accordingly, shareholders may have fewer alternatives available to them if they believe that corporate wrongdoing has occurred. The British Virgin Islands courts are also unlikely to recognize or enforce against us judgments of courts in the United States based on certain liability provisions of U.S. securities law; and to impose liabilities against us, in original actions brought in the British Virgin Islands, based on certain liability provisions of U.S. securities laws that are penal in nature. There is no statutory recognition in the British Virgin Islands of judgments obtained in the United States, although the courts of the British Virgin Islands will generally recognize and enforce the non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits. This means that even if shareholders were to sue us successfully, they may not be able to recover anything to make up for the losses suffered.

The laws of the British Virgin Islands provide little protection for minority shareholders, so minority shareholders will have little or no recourse if the shareholders are dissatisfied with the conduct of our affairs.

Under the law of the British Virgin Islands, there is little statutory law for the protection of minority shareholders other than the provisions of the BVI Act dealing with shareholder remedies. The principal protection under statutory law is that shareholders may bring an action to enforce the constituent documents of the corporation, in our case, our Memorandum and Articles of Association. Shareholders are entitled to have the affairs of the company conducted in accordance with the general law and the Memorandum and Articles. There are common law rights for the protection of shareholders that may be invoked, largely dependent on English company law, since the common law of the British Virgin Islands for business companies is limited. Under the general rule pursuant to English company law known as the rule in Foss v. Harbottle, a court will generally refuse to interfere with the management of a company at the insistence of a minority of its shareholders who express dissatisfaction with the conduct of the company's affairs by the majority or the board of directors. However, every shareholder is entitled to have the affairs of the company conducted properly according to law and the constituent documents of the corporation. As such, if those who control the company have persistently disregarded the requirements of company law or the provisions of the company's memorandum and articles of association, then the courts will grant relief. Generally, the areas in which the courts will intervene are the following: (1) an act complained of which is outside the scope of the authorized business or is illegal or not capable of ratification by the majority; (2) acts that constitute fraud on the minority where the wrongdoers control the company; (3) acts that infringe on the personal rights of the shareholders, such as the right to vote; and (4) where the company has not complied with provisions requiring approval of a special or extraordinary majority of shareholders, which are more limited than the rights afforded minority shareholders under the laws of many states in the United States.

Item 4. Information on the Company

A. *History and Development of the Company.*

Corporate History – Taiying, WFOE, CBPO, TJIT and CCRC

Taiying was incorporated on December 18, 2007 as a domestic Chinese limited company, with initial registered capital of RMB 3 million. The registered capital of Taiying was increased to RMB 10 million on February 16, 2012, and to RMB 36 million on February 25, 2019. We formed CBPO, WFOE and CCRC in 2014, in anticipation of registering the common shares of CCRC in our initial public offering. In connection with the formation of CCRC, CBPO and WFOE, we caused WFOE to become the wholly-owned foreign entity of CBPO as of August 2014 and to enter into certain control agreements with Taiying and its shareholder, pursuant to which we, by virtue of our ownership of CBPO and CBPO's ownership of WFOE, control Taiying. We previously incorporated TJIT as a wholly-owned subsidiary of WFOE on February 8, 2017 and voluntarily dissolved TJIT on July 30, 2018 due to its lack of business.

Corporate History – Central BPO, JTTC, HTCC, SCBI, JCBI, ATIT, STTWB, STTCB, STTCZB, JTIS, NTEB, JXTT, XTTC, BTTC, GTSL, BTIT, STTC, GDTC, GTTC and ZSEC

Taiying incorporated the following subsidiaries and branch companies on the dates indicated below:

- Central BPO – January 28, 2010;
- JTTC – February 25, 2010;
- HTCC – April 20, 2010;
- SCBI – August 9, 2012;
- JCBI – December 12, 2013;
- ATIT – December 26, 2013;
- STTWB – November 8, 2018;
- STTCB – February 22, 2013;
- STTCZB – January 28, 2019;
- JTIS – July 1, 2014;
- NTEB – December 25, 2014;
- JXTT – January 8, 2015;
- XTTC – March 20, 2015;
- BTTC – June 30, 2015;
- ZSEC – June 16, 2016;
- GTSL – February 17, 2017;
- GDTC – September 6, 2018;
- BTIT – June 16, 2017;
- STTC – November 8, 2017; and
- GTTC – March 28, 2018.

We previously incorporated branch office STTNB on May 28, 2013 and voluntarily dissolved it on January 15, 2019 as the operation of STTNB has been transferred to GTTC.

The principal executive offices of our main operations are located at 1366 Zhongtianmen Street, Xinghuo Science and Technology Park, High-tech Zone, Taian City, Shandong Province, People's Republic of China 271000. Our telephone number at this address is (+86) 538 691 8899. Our registered office in the British Virgin Islands is at the offices of NovaSage Chambers, P.O. Box 4389, Road Town, Tortola, British Virgin Islands, British Virgin Islands. Our agent for service of process in the United States is Vcorp Agent Services, Inc. located at 25 Robert Pitt Dr., Suite 204, Monsey, New York 10952. Our corporate website is *www.ccrc.com*.

B. *Business Overview.*

Overview

We are a BPO service provider focusing on the complex, voice-based and online-based segments of customer care services, including customer relationship management, technical support, sales, customer retention, marketing surveys and research for certain major enterprises in the PRC. We provide customer care service via telephone and multimedia platforms, such as Apps, WeChat, Weibo and websites to our clients. Our call center BPO services enable our clients to increase revenue, reduce operating costs, improve customer satisfaction, and enhance overall brand value and customer loyalty. Our largest customers are the provincial subsidiaries of China Mobile and Didi Chuxing. We also provide outsourcing services to our clients whereby they can lease our employees to work at their offices. We operate our business through contractual arrangements between our wholly-owned subsidiary, WFOE and our variable interest entity, Taiying.

Taiying was founded in 2007 by a group of call center industry veterans who have experience running one of the largest paging service call center network in northern China. Our service programs are delivered through a set of standardized best practices and sophisticated technologies by our highly trained call center professionals.

We seek to establish long-term, strategic relationships with our clients by delivering quantifiable value solutions that help improve our clients' revenue generation, reduce operating costs, and improve customer satisfaction. To achieve these objectives, we work closely with our clients to understand what drives their economic value, and then we demonstrate how our performance on their programs will align with that value. After we initiate the client program, we measure our performance each quarter on key metrics that we have agreed upon with the client, such as first-time call resolution, the rate at which we are successful in completing a sale on behalf of our client and customer satisfaction, and then convert our performance into quantifiable value. We then share this information with our clients to enable them to compare the quantifiable value we have delivered to the value they have received from other BPO providers or their in-house operations. By entering into contracts containing pricing terms that our clients agree are based on the value we create per dollar spent by the client, rather than a pricing model focused solely on being able to deliver the least expensive service offering, or a cost-based commodity pricing model which we believe is most often emphasized in our industry, we believe we can increase our ability to withstand competitive pricing pressure and to win and retain clients.

We believe our investments in the quality of our people and processes can lead to quantifiably superior results for our clients. We have high standards for our employees and we make significant investments in all areas of our human capital, including training, quality assurance, coaching and our performance management system. We employ a scorecard system that uses objective metrics to review an employee's performance to provide clarity of purpose and to ensure accountability for individual results. This scorecard system is linked to a compensation structure for our employees that is heavily based on individual performance. As a result of our reliance on objective metrics in our performance management system, we have what we refer to as a metric-driven performance culture among our employees. We believe that our focus on investing in human capital and use of a metric-driven, performance based business model positions us to provide value-added solutions to our clients, which we believe leads to strong relationships with our clients and recognition in our industry.

As we grow, we continue to expand our national presence and service offerings to increase revenue, improve operational efficiencies and drive brand loyalty for our clients. Our service is currently delivered from our call centers located in Shandong Province, Jiangsu Province, Henan Province, Guangdong Province, Yunnan Province, Hubei Province, Jiangxi Province, Hebei Province, Anhui Province, Sichuan Province, the Xinjiang Uygur Autonomous Region, the Guangxi Zhuang Autonomous Region, Beijing City, and Chongqing City, which had a total capacity of 18,384 seats as of December 31, 2018. We reserved seats in excess of our current labor capacity in anticipation to increase in labor force due to increase in projects in the near future. In addition to answering and responding to inbound calls, we also make outbound cold calls to assist the provincial subsidiaries of China Mobile and China Telecom in promoting their own mobile value-added service MVAS products, such as weather, health, education and farming related MVAS to targeted China Mobile and China Telecom subscribers. We also provide online customer care services via multimedia platforms including Apps, WeChat, Weibo, and websites for our e-commerce clients. Our largest clients in terms of revenue for the year ended December 31, 2018 were China Mobile, DiDi Chuxing, Taobao, China Merchants Bank, and Alipay Internet Technology.

In addition, we have received several industry awards and asked to participate in several important industry activities. Notable awards and activities include:

- "Enterprise for Public Service" awarded by the Charity General Committee of Yongchuan District, Chongqing in March 2019;
- "2018 Advanced Entity" awarded by the Chongqing BPO Organization in January 2019;
- "Vice President Enterprise" awarded by Foshan BPO Organization in December 2018;
- "Leading Enterprise of Jiangxi Province BPO Industry" awarded by Jiangxi Province BPO Industry Organization in December 2018;
- "Best Intelligent Solution for China Customer Service Centers of 2017 – 2018" awarded by CCCS Customer Service Center Standard Committee in November 2018;
- "Best BPO Service Provider for China Customer Service Centers of 2017 – 2018" awarded by CCCS Customer Service Center Standard Committee in November 2018;

- "Golden Headphone Yearly Best Data Management Customer Center – Excellent Customer Experience" awarded by China Call Center and E-Commerce Development Research Institution in October 2018;
- "Golden Voice Yearly Customer Service Center – Customer Service" awarded by China Call Center and E-Commerce Development Research Institution in October 2018;
- "Excellent Exhibitor" awarded by Foshan Service Trade and BPO Brand Expo Organization Committee in October 2018;
- "Small-and-Mid Sized Technology Enterprise of Hebei Province" awarded by the Science and Technology Department of Hebei Province in August 2018;
- "City-level Small-and-Mid Sized Technology Enterprise" awarded by the Zaozhuang City Science and Technology Department in July 2018;
- "Advanced Enterprise of Safe Production" awarded by the Muping Development District Management Committee in February 2018;
- "2017 Excellent E-Commerce Service Enterprise of Shandong Province" awarded by the Shandong Province E-Commerce Organization in January 2018;
- "Advanced Entity Taxpayer of Industry Taxation" awarded by the Management Committee of Chongqing City Yongchuan District Software and Information Service Outsourcing Industry Zone in January 2018;
- "Advanced Entity of United Ethnic Groups" awarded by Xinjiang Shandong Chamber of Commerce in 2018;
- "Award for BPO Service" awarded by Intelligence Service Summit Organization Committee in 2018;
- "Software Enterprise" awarded by the Jiangsu Province Software Industry Organization in 2018;
- "Yearly Enterprise of Excellent Development" for 2016 awarded by the Party Working Committee of High-Tech District, Taian in February 2017;
- "Golden Voice Award - China Best Customer Outsourcing Employer" for 2017, awarded by CNCBA in September 2017;
- "Golden Earphone Award - China Best Customer Center – Excellent Management Innovation Award" for 2017, awarded by CICED in October 2017;
- "Golden Earphone Award - China Best Data Management Customer Center" for 2017, awarded by CICED in October 2017;
- "Tai Mountain Pioneer Talents" for 2017, awarded by the People's Government of Taian in December 2017;
- "Business Work Advanced Unit of Taian City", awarded by the People's Government of Taian in February 2016;
- "Golden Earphone Award - China Best Call Center (Runoff Election)" for 2016, awarded by CCM World Group;
- Golden Earphone Award - China Best Call Center (Excellent Outsourcing Service)" for 2016, awarded by CCM World Group;
- "Golden Voice Award - China Best Outsourcing Customer Contact Center" for 2016, awarded by 51 Call Center;
- "Scientific Development Advanced Enterprise" for 2015, awarded by the Management Committee of Taian Gaoxin District and the Party Working Committee of Taian Gaoxin District;
- "Opening Up Work Advanced Enterprise" for 2015, awarded by the Management Committee of Taian Gaoxin District and the Party Working Committee of Taian Gaoxin District;
- "Science Development Advanced Enterprise in Taian Gaoxin District" for 2015, awarded by Taian Gaoxin District Party and Labor Management Commission;
- "Pulitzer Award of Shandong Service Outsourcing" for 2015, awarded by Shandong Service Outsourcing Association;

- "Golden Voice Award - China Best Outsourcing Customers Contact Center (Inbound Calling)" for 2015, awarded by 51 Call Center;
- "Golden Earphone Award" for 2015, awarded by CCM World Group;
- "The Well Known Servicing Enterprise Who has the Most Growth Potential in China" for 2014, awarded by The Expert Committee of China Service and Trade Association;
- "Important Contact Candidates of Outsourcing Enterprises" for 2012, by Ministry of Commerce of the People's Republic of China;
- "Shandong Province Service Outsourcing Growing Enterprise" for 2012, awarded by Shandong Province Department of Commerce;
- "China's Best Outbound Outsourcing Contact Center of the Year" for 2011, awarded by the Ministry of Industry and Information Technology based on the number of call center seats, number of employees, quality of customers, and quality of service;
- "The Promising Star of China's Best Outsourcing Contact Center of the Year" for 2011, awarded to Taiying's subsidiary, Chongqing Centre BPO Industry Co., Ltd., by the Ministry of Industry and Information Technology based on the number of call center seats, number of employees, quality of customers, and quality of service;
- "China's Best Inbound Outsourcing Contact Center of the Year" for 2009, awarded by the Ministry of Industry and Information Technology based on the number of call center seats, number of employees, quality of customers, and quality of service;
- "100 Strongest Outsourcing Company" for 2009, recognition granted by MOFCOM based on the number of call center seats, number of employees, quality of customer and quality of service;
- being named as one of only four team members of the Ministry of Industry and Information Technology's China Call Center BPO Industry Guideline Drafting Team;
- being named the Leading Call Center BPO Enterprise by the government of Shandong Province (we believe we are only one of no more than three companies to have been so named to date);
- being chosen as the College Graduates Employment Training Base by the Youth League of Shandong Province; and
- being chosen as the College Graduates Employment Training Base by the Youth League of Shandong Province.

In addition, our CEO, Gary Wang, was awarded the 2017 Leading E-Commerce Professional in Shandong Province by the Shandong Province E-Commerce Organization in January 2018, the Excellent Member of the Youth League by the Yantai City Muping District Committee of the Youth League in May 2018, the Professional Talent of Shandong Province Service Industry by the Shandong Province Economy and Information Committee in September 2018, the Leading Professional of Taishan by the People's Government of Taian City in December 2017, the Golden Voice Award – China Customer Service Leader for 2016, awarded by 51 Call Center, Operational Manager of the Best Enterprise in 2015, awarded by the Taian Gaoxin District Party Labor and Management Commission and the Outstanding Contribution Award of China Customer Contract Center Industry 2015, awarded by the Alliance Institute of China Calling Center an BPO Industry. Further, he is one of the ten people recognized to receive the 2013 Outstanding People Award of China Software Outsourcing and Information Technology Service Industry, an award jointly issued by China Software Outsourcing and Information Technology Service Industry Alliance and the Software and Integrated Circuit Promotion Center of the Ministry of Industry and Information Technology (MIIT). Mr. Wang was also one of the fifteen people recognized to receive the 2011 and 2009 China Sourcing Person of the Year within the China Software and Information Industry Category, and award given by MIIT. Our CFO, David Wang, was awarded the Golden Headphone Award Excellent Achievement for the 20th Anniversary of China Customer Service Center Industry Development by the China Call Center and E-Commerce Development Research Institution in October 2017, the Golden Voice Award 2017 China Customer Service Leader by the China Call Center and BPO Industry Association in September 2017, Outstanding People Award of China IT Service Industry for 2014 and 2015, awarded by the Alliance of China IT Service Industry. All of these awards and appointments were made by independent entities in open competitions with others in the industry. Our Vice President, Tao Bai, was awarded the Golden Headphone Award Yearly Best Manager of China Customer Service Center by China Call Center and E-Commerce Development Research Institution in October 2018, and the Golden Voice Award 2018 Excellent Contribution for China Customer Service Center Industry by the China Call Center and BPO Industry Association in October 2018. Also, our Vice President, Guoan Xu, was awarded the 2017 Influential People by the China Information Technology Service Industry Association in November 2017, and the Revitalization of Taian Award by the People's Government of Taian City in May 2017. We believe they reflect widespread recognition of our stature and success in our industry as well as the quality of our service.

Industry and Market Background

China's Call Center BPO Market

Compared with countries such as the U.S. and India that have relatively more mature markets, China's call center outsourcing market is still in its early stage of development. In the past few years, competition in China's market was relatively low due to highly differentiated positions and large number of unexploited potential outsourcing customers. At present, low price, standard service vendors tend to be most popular in the market. Nevertheless, as more competition in the China market is introduced in the future, we believe that the ability to provide customer-oriented solutions in the China call center BPO market will be increasingly valued by customers.

Future outsourcing development is highly dependent on the current BPO companies' performance and strategies. Among the current outsourcing companies, the key drivers of high performance are cost, service quality, intellectual property rights protection, workforce skills, and industry expertise, along with a high degree of comfort and familiarity with the use of outsourcing as an effective business practice. Growth in the China call center BPO market will depend on the industry's ability to address customer concerns in such areas as quality, confidentiality, information processing ability, human resources, and price.

In the highly competitive global contact center outsourcing market, China enjoys several advantages. As a result of 30 years of economic reform, China has greatly improved its infrastructure, in some areas matching those in developed countries. China has a large domestic market and supply of well-educated workers, along with a talent pool supported by a well-developed education system. In addition, despite rising labor costs, China's outsourcing businesses still have, a low cost advantage on the global call center market.

We believe outsourcing will continue to grow as a result of greater client demand for cost savings, along with the need for high-quality customer interactions and innovative service solutions that deliver tangible value. We also believe the desire for companies to focus on core competencies will remain strong and continue to cause them to outsource certain non-core functions to experienced outsourcing providers with the appropriate scale, consistent processes and technological expertise.

China's economic growth has resulted in a growing consumer population, and we believe that Chinese consumers will continue to develop needs that can be more efficiently serviced and supported through BPO services. The call center BPO services of our clients are non-core outsourcing processes, or BPO services that our clients may not view as critical to their operations and are outsourced to us. By providing these services for our clients, we aid them in streamlining their business operations. Our clients transfer the complete responsibility of their BPO functions to us, and we are then responsible for maintaining service quality standards.

Telecommunications Market

As of November 2018, the number of China's mobile phone subscribers increased to approximately 1.5 billion. According to China Internet Network Information Center in 2018, China reached approximately 788 million mobile internet users, the percentage of those using mobile phones to go online reaching 98%. With intensified competition in the telecommunications market, major telecommunication companies such as China Mobile are making transitions from voice-centric to data-centric operations, from communications to mobile Internet and information consumption, and from mobile communication operations to innovative full service operations.

Growth in China's telecommunications sector continues to be influenced by the country's overall economy. China's gross domestic product ("GDP") increased 6.9% over the previous year, according to the National Statistical Bureau of China.

Our Operating Companies' largest customers are the provincial subsidiaries of two of the three major telecommunications operators in China, namely China Mobile and China Telecom. The restructuring of China's telecommunications industry opened the fixed-line, mobile and broadband segments to all existing telecommunications operators in China, and the ensuing competition in these segments prompted each telecommunications operator to focus more on operating efficiency and its measure metrics, namely, average revenue per employee. We believe that increasing competition among the three operators will drive demand for outsourcing their call center functions to third party service providers.

Online Retail Market

China's online retail market is expected to benefit from its large population of Internet users. According to China Internet Network Information Center, China's Internet population reached 802 million users as August 2018. According to China Internet Network Information Center, China's mobile Internet user base reached 802 million users as of August 2018, and mobile usage is expected to increase, driven by the growing adoption of mobile devices. The increased usage of mobile devices will make access to the Internet even more convenient, drive higher online shopper engagement and enable new applications.

Our Competitive Strengths

We believe the following strengths differentiate us from our competitors in our market in China:

- ***We are a provider of telecommunications call center BPO services to subsidiaries of two significant telecommunications carriers in China.*** Our principal operating company, Taiying, is a provider of call center BPO services to the provincial subsidiaries of two of the three telecommunications carriers in China, specifically China Mobile and China Telecom;

- ***We have developed comprehensive and scalable solutions.*** Taiying has developed different programs to maximize outbound calling professionals' performance across all three major sales metrics: (i) units sold - conversion rate and sales per hour, (ii) customer retention, and (iii) customer satisfaction from a positive sales experience. Taiying benefits from economies of scale as a result of being one of the largest telecommunications call center BPO operation in China;

- ***We possess a commitment to innovation and quality service.*** Taiying, JTIC, JXTY, SCBI and Central BPO have respectively obtained an aggregate 105 registered computer software ownership rights from the China State Copyright Bureau. Taiying has attained several awards in recognition of its efforts in setting up national call center standards and in improving the quality of call center service; and Taiying has been recognized with awards and certificates by a variety of government entities for its efforts in call center BPO service;

- ***We possess a strategic, national presence***. We have 26 call center locations in 15 provinces, autonomous regions, and directly-administered municipalities (Beijing, Shanghai, and Chongqing), with the intention to service the whole China. We believe that our customers value this strong national presence and our ability to do business in multiple geographic regions in the PRC depending on factors such as the life cycle of their products, the complexity of the work being performed, the cultural and local language requirements, and the economics of the total service solution. Our resulting ability to customize a multi-geographic strategy enhances our ability to win new clients or expand our market share with existing clients;

- ***We possess a high quality, loyal client base in attractive sectors***. We maintain broad and long-standing relationships with the provincial subsidiaries of the leading telecommunications companies in the PRC: China Mobile and China Telecom. Notwithstanding our lack of long-term agreements we believe that we have sustainable and long-term relationships with our clients that make us an integral component of their planning, strategy, and cost model. We believe our clients seek our services due to our ability to provide scalable and timely solutions that leverage our proven processes and technology investments. We believe that our approach to client service and our relationships will allow us to maintain our existing base of business and grow new business as our clients launch new products and enter new geographic regions in the PRC;

- ***We focus upon strong industry growth opportunities***. We have traditionally focused on the telecommunications segments within the BPO market because of its growth potential and attractive operating margins. In addition, we seek to capitalize on the national trend toward outsourcing BPO services. We also believe that the current economic slowdown has increased demand for outsourcing not only because it can reduce customer service costs, but also because it offers an incremental channel to increase sales. At the same time, we expect to benefit from growth in other industries such as financial services, government bodies, IT and e-commerce; and

- ***We employ highly qualified personnel.*** Taiying's workforce is highly skilled with specialized training designed to address complex customer care engagements; our entrepreneurial management team includes employees who have significant experience managing call center services. Led by industry veteran, founder, chairman and chief executive officer, Gary Wang, our management team is comprised of an experienced group of executives, many of whom have approximately 15 or more years of operating experience in the call center BPO industry.

Our Strategies

We provide integrated BPO services to help our clients create maximum value for their customers over the long-term. Our goal is to become the largest call center BPO service provider in China. We intend to achieve this goal by implementing the following strategies:

We intend to pursue strategic acquisitions and alliances that fit within our core competencies and growth strategy. We plan to grow our revenues and market share both organically and through targeted acquisitions. Our plans to expand our service offerings into new segments, such as data management, or into new industries, such as financial services and government bodies, may be accomplished most efficiently and cost-effectively through the acquisition of companies or assets, or through joint venture arrangements with third parties. We view acquisitions as a key component of our growth strategy and expect to seek acquisitions in the future that will expand our existing competencies or add to our portfolio of BPO capabilities;

We intend to strengthen relationships with key customers. Our existing clients are the subsidiaries of large companies with diverse BPO needs and we plan to continue our strategy of expanding the scale and scope of the services we provide for these large clients. We intend to further strengthen our relationships with key clients by not only offering an efficient and flexible cost model that can reduce costs to the client, but also by expanding our current service offerings within our existing client base to generate additional revenues for our clients;

We intend to develop new client relationships. We intend to capitalize on growth opportunities driven by a trend towards use of third party BPO service providers in China's call center outsourcing market. The current 17,493 seat capacity of our existing facilities in Shandong Province, Jiangsu Province, Jiangxi Province, Hebei Province, Anhui Province, Sichuan Province, the Xinjiang Uygur Autonomous Region, the Guangxi Zhuang Autonomous Region, Beijing City, and Chongqing City represents what we believe is a very small percentage of China's BPO market, which leaves potential for us to gain market share;

We intend to increase our revenue and market share by expanding our service networks to other provinces. We started with our call center in Shandong Province, which covers the north region of China. Over the years, we have established a new call center in Chongqing City, which covered the southwest region of China, and three new call centers in Jiangsu Province, which positioned us to target potential clients in the Yangtze River Delta. We have also added call centers in Beijing City, Hebei Province, Anhui Province, Sichuan Province, the Xinjiang Uygur Autonomous Region, and the Guangxi Zhuang Autonomous Region;

We intend to diversify our client base and provide services to other industries, such as financial services, government bodies, IT and e-commerce. We currently have a single industry focus, with most of our revenues coming from the telecommunications industry. While we continue to target the significant market opportunity still available in the telecommunications industry, diversification of our client base to include customers in the financial services, government, IT and e-commerce industries will position us to maximize our return on the core competencies of our operation. We believe that the financial services, government services, IT and e-commerce industries, combined with the telecommunications industry, represent a majority of the overall outsourced market;

We intend to continue to enhance our brand and augment our service offerings to attract a wider client base and increase revenues. We expect to continue to promote our brand name, increase our revenue through a combination of securing business from new clients and increasing our service offerings and market share for existing clients. We expect that our track record, reputation, referrals and historical working relationship with the provincial subsidiaries of two of the largest telecommunications operators in China, will allow us to win new clients in the future as more companies outsource their BPO function. We also expect to generate new business by working with our clients to outsource non-core programs that are currently managed internally; and

We intend to continue to attract and retain quality employees. We plan to continue our focus on, and investment in, human capital. Building on our already strong base of recruiting, training and performance management systems, we plan to expand our efforts in all of these areas to increase our recruiting capacity and maintain our ability to deliver high-quality services.

Our Lines of Service

We believe BPO is a key enabler of improved business performance as measured by a company's ability to consistently outperform peers through both business and economic cycles. We believe the benefits of BPO include renewed focus on core capabilities, faster time to market, enhanced revenue generation opportunities, streamlined processes, reduced capital and operating risk, movement from a fixed to variable cost structure, access to borderless sourcing capabilities, and creation of proprietary best operating practices and technology, all of which contribute to increased customer satisfaction, profits and shareholder returns for our clients.

We believe that companies with high customer satisfaction levels enjoy premium pricing in their industry, which we believe results in increased profitability and greater shareholder returns. Given the strong correlation between customer satisfaction and improved profitability, we believe that more companies are increasingly focused on selecting outsourcing partners, such as Taiying, that can deliver strategic revenue generation and front-to-back-office capabilities to improve the customer experience.

Our service offerings enable our clients to increase revenue, reduce operating costs, improve customer satisfaction, and enhance overall brand value and customer loyalty.

Inbound Customer Care Service. Our inbound customer support service offers answering service hotlines in China, 24 hours a day, 7 days a week. Contacts are initiated primarily by inbound calls from customers on a wide range of topics dealing with customer enquiries regarding services and billings, directory assistance, account and service changes, password reset/appeals, product and service inquiries, hotel reservations, airline ticket purchases, customer retention and customer complaints. Customer retention programs are programs where the customer is calling to cancel service. In the latter case, our customer service associates are trained to attempt to resolve the customer's issue and convince the customer to keep their service with the particular provider. In addition, we initiate sales calls, primarily to existing customers of our clients, for retention and loyalty programs, and in some cases unsolicited calling for customer acquisition. Taiying operates under licensing and revenue sharing agreements with the provincial subsidiaries of China Mobile and China Telecom for its inbound calling service.

Outbound Customer Care Service. We also provide outbound cold calling services such as selling China Mobile's color ring back tones ("CRBT"), wireless news service, daily weather service and other Mobile value added service MVAS to targeted wireless subscribers. Through market segmentation, customer trends and analysis of customer attrition rates, we generate revenue by making targeted outbound cold callings of potential subscribers. Unlike other MVAS providers who use China Mobile or China Telecom networks simply as a distribution channel, we create and manage a vast range of MVAS products for China Mobile or China Telecom, as the case may be, and market them to mobile phone users through the Company's call centers under the China Mobile or China Telecom brand, as the case may be. The provincial subsidiaries of China Mobile and China Telecom compensate our company for selling their products and increasing their revenues by splitting the subscription fee according to a pre-determined formula for successfully enrolling each subscriber. We believe this arrangement, emphasizing the sale of the products of the telecommunications operator rather than our own distinguishes us from our competitors, and further strengthen our relationship with the provincial subsidiaries of China Mobile and China Telecom.

Online Customer Care Service. Our online customer service is an alternative to our inbound customer care service. Instead of offering customer care services via telephone, we provide services, such as verifying information, filling in information, and answering inquires, through an online form of live chat through multimedia platforms including Appss, WeChat, Weibo, and websites. Our clients that use these services are primary e-commerce providers and clients with some or all of their services provided online.

AI Customer Care Service. Beginning in 2019, we plan to add artificial intelligence customer care service to our lines of services. We intend to use customer service robots, which are professional service robots intended to interact with customers. These robots come with highly humanoid voice generation technology and enhanced industry knowledge mapping and learning capabilities, which can automate many tasks in customer service. We believe, like all robots, our customer service robots' value lies in labor savings, efficiency and uptime.

For inbound customer care service, fees are charged based on either number of calls (a fixed charge per interaction) or predetermined seats charges (weekly charges, or monthly charges per seat). For outbound cold calling services, fees are charged based on the success of marketing the product and service upon subscription. Telecommunications operators such as China Mobile and China Telecom typically charge a subscription fee to the subscriber's monthly bill, keeps predetermined percentage of this fee for itself and remits the remainder to us. For advanced services, revenue sharing varies among products.

We currently derive a significant portion of our revenue from telecommunications clients. We receive most of our revenue from a small number of clients; we derived 58% and 57% of our revenues in 2018 and 2017, respectively, from our five largest clients.

We primarily utilize our cash flow from operations and short-term loans to fund working capital, and other strategic and general operating purposes. As of December 31, 2018, and 2017, we had $3,635,623 and $3,842,371 in short term loans, respectively. The amount of capital required over the next 12 months will also depend on our levels of investment in infrastructure necessary to meet the growth demand of our business. Our working capital and capital expenditure requirements could increase materially in the event of acquisitions or joint ventures, among other factors. These factors could require that we raise additional capital through future debt or equity financing. There can be no assurance that additional financing will be available, at all, or on terms favorable to us.

Customers

We provide services to a diverse client base that includes such customers as DiDi Chuxing, Shouqi Limousine & Chauffeur, Taobao, the provincial subsidiaries of China Mobile and China Telecom, Tmall Technology, TianAn Life Insurance, Alipay, and Alibaba. We also have outsourcing contracts with some of China's largest banks, including China Construction Bank, China CITIC Bank, and China Merchants Bank.

Contractual Arrangements

We have signed contracts with the provincial subsidiaries of China Mobile and China Telecom for inbound calling services generally having one-year term. Outbound customer care service contracts also generally have one-year terms. Both inbound and outbound contracts have no automatic renewal provisions.

Five of our customer relationships currently in place collectively accounted for about 58% of our revenues in the year of 2018. The customers (in order of their contribution to our revenues during that period) are as follows: China Mobile and its provincial subsidiaries, DiDi Chuxing, Taobao, China Merchants Bank Credit Card Center, and Chongqing subsidiary of China Telecom. Any loss of our relationship with those customers could impact our revenue and profits.

Sales and Marketing

Recently we have focused on the financial services sector, internet-based companies and government bodies for further expansion. We rely on our own sales force to market and sell our services in China. Our sales team is responsible for obtaining new clients and growing existing clients by identifying additional sales opportunities. Our sales team is supported by our sales support team, which responds to requests for proposals and requests for information, including preparing written responses to such requests. Our sales support team is also specifically responsible for managing and coordinating visits by clients to our call centers. We view these site visits as one of the most important parts of our sales cycle, and we design site visits to allow prospective clients to experience the elements of our business model at work.

The focus of our sales and marketing efforts is to educate prospective clients on what we believe differentiates us as an outsourced provider in the BPO market. Specifically, our sales effort focuses on our approach of investing in our human capital to outperform expectations and in delivering greater value per dollar spent. We provide a sales proposition to a prospective client based on quantifiable value per dollar spent by the client on our services. This gives the client a means of comparing our value created per dollar spent as compared to the same metrics for their internal centers or other outsourcers. We believe that this approach has been crucial to winning and retaining clients and increasing our ability to withstand competitive pricing pressure. As of December 31, 2018, we had 38 sales, marketing and sales support professionals.

Competition

We operate in a highly competitive environment. We estimate that there are hundreds of companies providing call center BPO service in China. We also compete with the in-house business process functions of our current and potential clients. We believe our key advantage over in-house business process functions is that we enable companies to focus on their core services while we focus on the specialized function of managing their customer relationships. We also compete with certain companies that provide BPO services including: CM-Tong, Meiyin, Boyue, Asiainfo, 95Teleweb, and Poicom.

We compete primarily on the basis of our experience, reputation, our quality and scope of services, our speed and flexibility of implementation, our technological expertise, total value delivered, and our quantifiable value per dollar spent by the client on our services.

The business process outsourcing industry is extremely competitive, and outsourcers have historically competed based on pricing terms. Accordingly, we could be subject to pricing pressure and may experience a decline in our average selling prices for our services. We attempt to mitigate this pricing pressure by differentiating ourselves from our competition based on the value we bring to our clients through the quality of our services and our ability to provide quantifiable results that our clients can measure against our competitors. We seek to compete by emphasizing to our clients the value they receive per dollar spent for our services. We do not generally compete in the segment of the customer care BPO market that focuses solely on price. We normally provide a sales proposition to a client based on quantifiable value per dollar spent by the client on our services. We believe that our ability to quantify value has allowed us to negotiate primarily fixed pricing with our clients that reflects the greater value created per dollar spent, rather than the cost-based commodity pricing model most often emphasized in our industry.

We believe that we have competitive advantages in the markets we serve due to our metric-driven BPO solutions, comprehensive and scalable product and service offerings, customer-centric and cost-effective project management capability, and established customer relationships.

The principal competitive factors in our markets include:

- ability to provide services that are innovative and attractive to customers and their end-users;
- service functionality, quality and performance;
- customer service and support;
- pricing;
- establishment of a significant customer base; and
- ability to introduce new services to the market in a timely manner

Research and Development

We are committed to researching, designing and developing call center information technology solutions and software products that will meet the future needs of our customers. We continuously upgrade our existing software products to enhance scalability and performance and to provide added features and functions. As of December 31, 2018, our research and development team consisted of 70 researchers, engineers, developers and programmers. In addition, certain support employees regularly participate in our research and development programs. Research and development expenses consist primarily of wage expense incurred to personnel to continuously upgrade the Company's existing software products. For the years ended December 31, 2018, 2017, and 2016, research and development expenses of $4,069,794, $3,551,629, and $3,264,073 were included in selling, general and administrative expenses.

Intellectual Property Rights

The PRC has domestic laws for the protection of rights in copyrights, patents, trademarks and trade secrets. The PRC is also a signatory to all of the world's major intellectual property conventions, including the:

- Convention establishing the World Intellectual Property Organization (WIPO Convention) (June 4, 1980);
- Paris Convention for the Protection of Industrial Property (March 19, 1985);
- Patent Cooperation Treaty (January 1, 1994); and
- Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) (November 11, 2001).
- WIPO Copyright Treaty (WCT) and WIPO Performances and Phonograms Treaty (WPPT) (June 2007).

The PRC Trademark Law, adopted in 1982 and revised in 2013, with its implementation rules adopted in 2014, protects registered trademarks. The Trademark Office of the State Administration of Industry and Commerce ("SAIC"), handles trademark registrations and grants trademark registrations for a term of ten years.

Our intellectual property rights are important to our business. We rely on a combination of trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property. We do not presently hold any patents or registered trademarks.

We have been granted registered computer software ownership rights to 105 pieces of computer software by the China State Copyright Bureau, which allows us to implement our own computer systems without having to purchase them from an outside vendor, lowering our startup costs for additional call centers. Among them are: seven software programs related to call center integration and optimization; five software programs related to customer relationship management; four software programs related to online testing; one software program related to insurance industry customer service inquiry system, and one software program related to hospital customer service inquiry system. The China State Intellectual Property Office has granted us patents to two pieces of intellectual property rights, both patents are related to call center integration and optimization. The Trademark Office of SAIC has granted us 14 registered trademarks for the abbreviations of our company name and images of our products. We have been granted 17 domain name rights by the Internet Corporation for Assigned Names and Numbers ("ICANN") and 11 domain name rights by the China Internet Network Information Center ("CNNIC"), including our website address ccrc.com. We enter into confidentiality agreements with most of our employees and consultants, and control access to and distribution of our documentation and other licensed information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use our technology without authorization, or to develop similar technology independently. Since the Chinese legal system in general, and the intellectual property regime in particular, is relatively weak, it is often difficult to enforce intellectual property rights in China. Policing unauthorized use of our technology is difficult and the steps we take may not prevent misappropriation or infringement of our proprietary technology. In addition, litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others, which could result in substantial costs and diversion of our resources and could have a material adverse effect on our business, results of operations and financial condition.

We require our employees to enter into non-disclosure agreements to limit access to and distribution of our proprietary and confidential information. These agreements generally provide that any confidential or proprietary information developed by us or on our behalf must be kept confidential. These agreements also provide that any confidential or proprietary information disclosed to third parties in the course of our business must be kept confidential by such third parties.

As of December 31, 2018, we have obtained 105 registered computer software ownership rights from the China State Copyright Bureau, two patents from the China State Intellectual Property Office, 14 registered trademarks from the Trademark Office of SAIC and 26 domain name rights from ICANN and CNNIC.

In the event of trademark infringement, the SAIC has the authority to fine the infringer and to confiscate or destroy the infringing products. In addition to actions taken by SAIC, Taiying would be entitled to sue an infringer for compensation.

REGULATION

Regulation of the Telecommunications Industry

The telecommunications industry is highly regulated in China. PRC laws and regulations restrict foreign investment in China's telecommunications service industry. The contractual arrangements between our wholly-owned subsidiary, WFOE, and Taiying, allow us to exercise significant rights over the business operations of Taiying and to realize the economic benefits of the business. We believe that our operations are in compliance in all material aspects with current, applicable PRC regulations. However, many PRC laws and regulations are subject to extensive interpretive power of governmental agencies and commissions, and there is substantial uncertainty regarding the future interpretation and application of these laws or regulations.

The Chinese telecommunications industry, in which our largest customers operate, is subject to extensive government regulation and control. Currently, all the major telecommunications and Internet service providers in China are primarily state owned or state controlled and their business decisions and strategies are affected by the government's budgeting and spending plans. In addition, they are required to comply with regulations and rules promulgated from time to time by the Ministry of Industry and Information Technology and other ministries and government departments.

In September 2000, China published the Regulations of the People's Republic of China on Telecommunications, or the "Telecommunications Regulations.", as amended in February 2016. The Telecommunications Regulations were the first comprehensive set of regulations governing the conduct of telecommunications businesses in China. In particular, the Telecommunications Regulations set out in clear terms the framework for operational licensing, network interconnection, the setting of telecommunications charges and standards of telecommunications services in China. Also, in September 2000 China's State Council approved the Administrative Measures on Internet Information Services, as amended in January 2011, which provide for control and censoring of information on the Internet.

In December 2001, the Ministry of Information Industry ("MII"), which was reorganized as the Ministry of Industry and Information Technology in June 2008, promulgated the Administrative Measures for Telecommunications Business Operating Licenses, as amended (the "2009 Regulations"). The 2009 Regulations provide for two types of telecommunications operating licenses for carriers in the PRC, namely licenses for basic services and licenses for value-added services. In February 2003, the MII issued a classification of basic and value-added telecommunications services, as amended in March 2016 (the "2015 Classification"). The 2015 Classification maintains the general distinction between basic telecommunications services, or BTS, and value-added telecommunications services, or VATS, and attempts to define the scope of each service. In particular, the 2015 Classification delineated the differences between "Type 1" and "Type 2" value-added services. Type 1 includes internet data center (IDC), content delivery network (CDN), domestic Internet VPN services (IP-VPN) and internet access services (ISP). Type 2 covers storage and retransmission (email, voice mail, facsimile), online date and transaction processing, call centers, domestic multi-party communications services, information services, encoding and protocol conversion and domain name services (DNS).

Under a separate set of regulations introduced in December 2001, qualified foreign investors are permitted to invest in certain sectors of China's telecommunications industry through Sino-foreign joint ventures, including Type 2 VATS providers, although there have been few reported investments of this nature to date. These regulations, known as the Provisions on the Administration of Foreign-Invested Telecommunications Enterprises, as amended (the "2016 Provisions"), were the result of China's accession to the World Trade Organization. Under these provisions, certain qualifying foreign investors are permitted to own up to 49% of basic telecommunications businesses in China, and up to 50% of value-added telecommunications services businesses and wireless paging businesses (one of the basic telecommunications businesses). Such requirements for foreign investments in telecommunication businesses are once again confirmed in the 2018 Special Management Measures (Negative List) for the Access Investment (the "Negative List") jointly issued by NDRC and MOFCOM on December 21, 2018.

We and our PRC operating subsidiaries are considered foreign persons or foreign-invested enterprises under PRC laws, and are therefore subject to foreign ownership restrictions in connection with our limited VATS Type 2 business activities. In order to comply with these restrictions, WFOE, our wholly-owned subsidiary, has entered into a series of control agreements with Taiying and its sole shareholder, which allow us to exercise significant rights over the business operations of Taiying and to realize the economic benefits of the business. We do not have any equity interest in Taiying, but instead have the right to enjoy economic benefits similar to equity ownership through our control agreements with Taiying and its sole shareholder. For more information on the regulatory and other risks associated with our contractual arrangements related to Taiying, please see the discussion in "Risk Factors—Risks Relating to Our Corporate Structure." We believe that our operations are in compliance in all material aspects with current, applicable PRC regulations. However, many PRC laws and regulations are subject to extensive interpretive power of governmental agencies and commissions, and there is substantial uncertainty regarding the future interpretation and application of these laws or regulations.

Regulation of Foreign Currency Exchange and Dividend Distribution

Foreign Currency Exchange. The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations (1996), as amended on August 5, 2008, the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996) and the Interim Measures on Administration on Foreign Debts (2003). Under these regulations, Renminbi are freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for most capital account items, such as direct investment, loans, repatriation of investment and investment in securities outside China, unless the prior approval of SAFE or its local counterparts is obtained. In addition, any loans to an operating subsidiary in China that is a foreign invested enterprise, cannot, in the aggregate, exceed the difference between its respective approved total investment amount and its respective approved registered capital amount. Furthermore, any foreign loan must be registered with SAFE or its local counterparts for the loan to be effective. Any increase in the amount of the total investment and registered capital must be approved by the PRC Ministry of Commerce or its local counterpart. We may not be able to obtain these government approvals or registrations on a timely basis, if at all, which could result in a delay in the process of making these loans.

The dividends paid by the subsidiary to its shareholder are deemed shareholder income and are taxable in China. Pursuant to the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996), foreign-invested enterprises in China may retain foreign exchange incomes, subject to a cap approved by SAFE, for settlement of current account transactions without the approval of SAFE. Foreign exchange transactions under the capital account are still subject to limitations and require approvals from, or registration with, SAFE and other relevant PRC governmental authorities.

Dividend Distribution. The principal regulations governing the distribution of dividends by foreign holding companies include the Company Law of the PRC (1993), as amended in 2013, the Foreign Investment Enterprise Law (1986), as amended in 2016, and the Administrative Rules under the Foreign Investment Enterprise Law (2001), as amended in 2014.

Under these regulations, wholly foreign-owned investment enterprises in China may pay dividends only out of their retained profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, wholly foreign-owned investment enterprises in China are required to allocate at least 10% of their respective retained profits each year, if any, to fund certain reserve funds unless these reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends, and a wholly foreign-owned enterprise is not permitted to distribute any profits until losses from prior fiscal years have been offset.

Circular 37. On July 4, 2014, SAFE issued Circular 37, which became effective as of July 4, 2014. According to Circular 37, PRC residents shall apply to SAFE and its branches for going through the procedures for foreign exchange registration of overseas investments before contributing the domestic assets or interests to a SPV. An amendment to registration or filing with the local SAFE branch by such PRC resident is also required if the registered overseas SPV's basic information such as domestic individual resident shareholder, name, operating period, or major events such as domestic individual resident capital increase, capital reduction, share transfer or exchange, merger or division has changed. Although the change of overseas funds raised by overseas SPV, overseas investment exercised by overseas SPV and non-cross-border capital flow are not included in Circular 37, we may be required to make foreign exchange registration if required by SAFE and its branches.

Moreover, Circular 37 applies retroactively. As a result, PRC residents who have contributed domestic assets or interests to a SPV, but failed to complete foreign exchange registration of overseas investments as required prior to implementation of Circular 37, are required to send a letter to SAFE and its branches for explanation. Under the relevant rules, failure to comply with the registration procedures set forth in Circular 37 may result in receiving a warning from SAFE and its branches, and may result in a fine of up to RMB300,000 for an organization or up to RMB50,000 for an individual. In the event of failing to register, if capital outflow occurred, a fine up to 30% of the illegal amount may be assessed.

PRC residents who control our company are required to register with SAFE in connection with their investments in us. If we use our equity interest to purchase the assets or equity interest of a PRC company owned by PRC residents in the future, such PRC residents will be subject to the registration procedures described in Circular 37.

M&A Regulations and Overseas Listings

On August 8, 2006, six PRC regulatory agencies, including the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration for Taxation, the State Administration for Industry and Commerce, CSRC and SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the New M&A Rule, which became effective on September 8, 2006 and was amended on June 22, 2009. This New M&A Rule, among other things, includes provisions that purport to require that an offshore special purpose vehicle formed for purposes of overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC companies or individuals obtain the approval of CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

On September 21, 2006, CSRC published on its official website the Provisions on Indirect Issuance of Securities Overseas by a Domestic Enterprise or Overseas Listing of Its Securities for Trading, which specify procedures regarding CSRC's approval for overseas listings by special purpose vehicles. The CSRC approval procedures require the filing of a number of documents with the CSRC and it would take several months to complete the approval process. The application of this new PRC regulation remains unclear with no consensus currently existing among leading PRC law firms regarding the scope of the applicability of the CSRC approval requirement.

Our PRC counsel, GFE Law Office, has advised us that, based on their understanding of the current PRC laws and regulations:

- we currently control the Operating Companies by virtue of WFOE's VIE agreements with CCRC but not through equity interest acquisition nor asset acquisition which are stipulated in the New M&A Rule; and

- in spite of the above, CSRC currently has not issued any definitive rule or interpretation concerning whether offerings like our initial public offering are subject to this new procedure.

Regulations on Offshore Parent Holding Companies' Direct Investment in and Loans to Their PRC Subsidiaries

An offshore company may invest equity in a PRC company, which will become the PRC subsidiary of the offshore holding company after investment. Such equity investment is subject to a series of laws and regulations generally applicable to any foreign-invested enterprise in China, which include the Wholly Foreign Owned Enterprise Law, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Contractual Joint Venture Enterprise Law, all as amended from time to time, and their respective implementing rules; the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors; and the Notice of the State Administration on Foreign Exchange on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment.

Under the aforesaid laws and regulations, the increase of the registered capital of a foreign-invested enterprise is subject to the prior approval by the original approval authority of its establishment. In addition, the increase of registered capital and total investment amount shall be registered with Ministry of Commerce (or authorized provincial or same level government), SAIC and SAFE.

Shareholder loans made by offshore parent holding companies to their PRC subsidiaries are regarded as foreign debts in China for regulatory purpose, which is subject to a number of PRC laws and regulations, including the PRC Foreign Exchange Administration Regulations, the Interim Measures on Administration on Foreign Debts, the Tentative Provisions on the Statistics Monitoring of Foreign Debts and its implementation rules, and the Administration Rules on the Settlement, Sale and Payment of Foreign Exchange.

Under these regulations, the shareholder loans made by offshore parent holding companies to their PRC subsidiaries shall be registered with SAFE. Furthermore, the total amount of foreign debts that can be borrowed by such PRC subsidiaries, including any shareholder loans, shall not exceed the difference between the total investment amount and the registered capital amount of the PRC subsidiaries, both of which are subject to the governmental approval.

PRC Foreign Investment Law

On March 15, 2019, the National People's Congress of the PRC adopted the Foreign Investment Law of the PRC (the "FIL"), which will become effective on January 1, 2020. The FIL sets forth the principal basic legal framework of foreign investment in the PRC, and once taking effect, will replace the trio of existing laws regulating foreign investment in the PRC, namely, the Wholly Foreign-Invested Enterprises Law, the Law on Sino-Foreign Equity Joint Ventures, and the Law on Sino-Foreign Contractual Joint Ventures, together with their implementation rules and ancillary regulations. Pursuant to the FIL, foreign-invested enterprises established after the effective date of the FIL will comply with, as the case may be, the Company Law or the Partnership Enterprise Law of the PRC in terms of its organization form, corporate structure and bylaws. For FIEs established prior to the effective date of the FIL, they will have a five-year transition period, during which the FIEs, such as our WFOE, may maintain its current organization form, corporate structure and bylaws.

The FIL provides clear provisions on issues of common concern for foreign-invested enterprises ("FIEs") and their investors, such as the pre-access national treatment plus negative list system, the equal application of all national policies to FIEs, no expropriation of foreign investments under unexceptional circumstances, liberalization of inbound and outbound remittances, and concentration of undertakings reviews and foreign investment security review systems. The FIL, however, does not address details on how it would be applied in practice, which will be left to subsequent implementing regulations, rules and local regulations.

Importantly, compared to the previous draft circulated on January 19, 2015 which specifically identified the VIE structures as a form of foreign investment, the FIL makes no reference to the status of VIE structures. Instead, the FIL adds a catch-all clause stipulating that "foreign investment" includes "investments made by foreign investors in China through other means as provided by laws, administrative regulations or by the State Council." Therefore, while the FIL does not address the legality of VIE structures, it leaves open the possibility that VIE structures may be included in the regulatory scope of "foreign investment" through special laws, or administrative regulations or even normative documents formulated by the State Council.

Regulations Relating to Intellectual Property Rights

Patent. Patents in China are principally protected under the Patent Law of China. The duration of a patent right is either 10 years (utility model or design) or 20 years (invention) from the date of application, depending on the type of patent right.

Copyright. Copyright in China, including copyrighted software, is principally protected under the Copyright Law of China and related rules and regulations. Under the Copyright Law, for a company, the term of protection for copyright is 50 years from the first publication of its work.

Trademark. Registered trademarks are protected under the Trademark Law of China and related rules and regulations. Trademarks are registered with the Trademark Office of the State Administration for Industry and Commerce. Where registration is sought for a trademark that is identical or similar to another trademark that has already been registered or given preliminary examination and approval for use in the same or similar category of commodities or services, the application for registration of such trademark could be rejected. Trademark registrations are effective for a renewable ten-year period, unless otherwise revoked.

Domain names. Domain names are protected under the Administrative Measures on the Internet Domain Names promulgated by the MIIT. The MIIT is the major regulatory body responsible for the administration of the Chinese Internet domain names, under supervision of which the CNNIC is responsible for the daily administration of .cn domain names and Chinese domain names. MIIT adopts the "first to file" principle with respect to the registration of domain names.

Employee Stock Option Plans

In February 2012, SAFE promulgated the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company, replacing earlier rules promulgated in March 2007, to regulate the foreign exchange administration of Chinese citizens and non-Chinese citizens who reside in China for a continuous period of not less than one year, with a few exceptions, who participate in stock incentive plans of overseas publicly-listed companies. Pursuant to these rules, these individuals who participate in any stock incentive plan of an overseas publicly-listed company, are required to register with SAFE through a domestic qualified agent, which could be the Chinese subsidiaries of such overseas listed company, and complete certain other procedures. We and our executive officers and other employees who are Chinese citizens or non-Chinese citizens who reside in China for a continuous period of not less than one year and have been granted options would be subject to these regulations. Failure to complete such SAFE registrations could subject us and these employees to fines and other legal sanctions. The State Administration of Taxation has issued certain circulars concerning employee share options or restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares would be subject Chinese individual income tax.

Regulations Relating to Labor

Pursuant to the China Labor Law, which was adopted in 1995 and amended in 2009, and the China Labor Contract Law, which was adopted in 2008 and amended in 2012, a written labor contract is required when an employment relationship is established between an employer and an employee. Other labor-related regulations and rules of China stipulate the maximum number of working hours per day and per week as well as the minimum wages. An employer is required to set up occupational safety and sanitation systems, implement the national occupational safety and sanitation rules and standards, educate employees on occupational safety and sanitation, prevent accidents at work and reduce occupational hazards.

An employer is obligated to sign an indefinite term labor contract with an employee if the employer continues to employ the employee after two consecutive fixed-term labor contracts or the employee has worked for the employer for ten years, with certain exceptions. The employer also has to pay compensation to the employee if the employer terminates an indefinite term labor contract, with certain exceptions. Except where the employer proposes to renew a labor contract by maintaining or raising the conditions of the labor contract and the employee is not agreeable to the renewal, an employer is required to compensate the employee when a definite term labor contract expires. Furthermore, under the Regulations on Paid Annual Leave for Employees issued by the State Council in December 2007 and effective as of January 2008, an employee who has served an employer for more than one year and less than ten years is entitled to a 5-day paid vacation, those whose service period ranges from 10 to 20 years are entitled to a 10-day paid vacation, and those who have served for more than 20 years are entitled to a 15-day paid vacation. An employee who does not use such vacation time at the request of the employer must be compensated at three times their normal salaries for each waived vacation day.

Pursuant to the Regulations on Occupational Injury Insurance which was adopted in 2004 and amended in 2010, and the Interim Measures concerning the Maternity Insurance for Enterprise Employees, which was adopted in 1995, Chinese companies must pay occupational injury insurance premiums and maternity insurance premiums for their employees. Pursuant to the Interim Regulations on the Collection and Payment of Social Insurance Premiums, which was adopted in 1999, and the Interim Measures concerning the Administration of the Registration of Social Insurance, which was adopted in 1999, basic pension insurance, medical insurance and unemployment insurance are collectively referred to as social insurance. Both Chinese companies and their employees are required to contribute to the social insurance plans. The aforesaid measures are reiterated in the Social Insurance Law of China, which was adopted in July 2011 and amended in 2018, which stipulates the system of social insurance of China, including basic pension insurance, medical insurance, unemployment insurance, occupational injury insurance and maternity insurance. Pursuant to the Regulations on the Administration of Housing Fund, which was adopted in 1999 and amended in 2002, Chinese companies must register with applicable housing fund management centers and help each of their employees to establish a special housing fund account in an entrusted bank. Both Chinese companies and their employees are required to contribute to the housing funds.

C. *Organizational Structure.*

We are a holding company incorporated in the British Virgin Islands that owns all of the outstanding capital stock of CBPO, our wholly owned Hong Kong subsidiary. CBPO, in turn, owns all of the outstanding capital stock of WFOE, our operating subsidiary based in Taian City, Shandong Province, China. WFOE has entered into control agreements with the sole shareholder of Taiying, which agreements allow WFOE to control Taiying. Through our ownership of CBPO, CBPO's ownership of WFOE and WFOE's agreements with Taiying, we control Taiying. Taiying, in turn, is the sole shareholder of Central BPO, JTTC, SCBI, JCBI, ATIT, STTWB, STTCB, STTCZB, JTIS, NTEB, JXTT, XTTC, BTTC, GTSL, BTIT, STTC, GTTC, GDTC, HTTC and ZSEC. CCRC was formed by Taiying as part of a reorganization to facilitate it becoming a public company. TJIT was established on February 8, 2017 as a wholly-owned subsidiary of WFOE, and was voluntarily dissolved on July 30, 2018. The shareholders of Beijing Taiying presently own 83% of the shares of CCRC.

Corporate History – Taiying, WFOE, CBPO, TJIT and CCRC

Taiying was incorporated on December 18, 2007 as a domestic Chinese limited company, with initial registered capital of RMB3 million. The registered capital of Taiying was increased to RMB 10 million on February 16, 2012, and to RMB36 million on February 25, 2019. We formed CBPO, WFOE and CCRC in 2014, in anticipation of registering the common shares of CCRC in our initial public offering. In connection with the formation of CCRC, CBPO and WFOE, we caused WFOE to become the wholly-owned foreign entity of CBPO as of August 2014 and to enter into certain control agreements with Taiying and its shareholder, pursuant to which we, by virtue of our ownership of CBPO and CBPO's ownership of WFOE, control Taiying. TJIT was established on February 8, 2017 as a wholly-owned subsidiary of WFOE, and was voluntarily dissolved on July 30, 2018.

Corporate History – Central BPO, JTTC, HTCC, SCBI, JCBI, ATIT, STTWB, STTCB, STTCZB, JTIS, NTEB, JXTT, XTTC, BTTC, GTSL, GDTC, BTIT, STTC, GTTC and ZSEC

Taiying incorporated the following subsidiaries and branch companies on the dates indicated below:

- Central BPO – January 28, 2010;
- JTTC – February 25, 2010;
- HTCC – April 20, 2010;
- SCBI – August 9, 2012;
- JCBI – December 12, 2013;
- ATIT – December 26, 2013;
- STTWB – November 8, 2018;

- STTCB – February 22, 2013;
- STTCZB – January 28, 2019;
- JTIS – July 1, 2014;
- NTEB – December 25, 2014;
- JXTT – January 8, 2015;
- XTTC – March 20, 2015;
- BTTC – June 30, 2015;
- ZSEC - June 16, 2016;
- GDTC – September 6, 2018;
- GTSL – February 17, 2017;
- BTIT – June 16, 2017;
- STTC – November 8, 2017; and
- GTTC – March 28, 2018.

We previously incorporated branch office STTNB in Nanning City, Guangxi Zhuang Autonomous Region on May 28, 2013 and voluntarily dissolved it on January 15, 2019 as the operation of STTNB has been transferred to GTTC.

Purpose and Significance of Taiying and its Subsidiaries, Central BPO, JTTC, HTCC, SCBI, JCBI, ATIT, STTWB, STTCB, STTCZB, JTIS, NTEB, JXTT, XTTC, ZSEC, GTSL, BTIT, STTC, GDTC, GTTC and BTTC

TJIT, subsidiary of WFOE located in Taian City, Shandong Province and accounted for approximately 0% of revenue in 2018, and was voluntarily dissolved on July 30, 2018.

Taiying and its subsidiaries operate call centers throughout China. Below is a list of the call centers Taiying and each subsidiary operates, along with the revenue allocated to each call center for 2018.

- Central BPO operates two call centers located in Chongqing and accounted for approximately 15.91% of revenue in 2018.
- JTTC operates one call center located in Taizhou city, Jiangsu province, and accounted for approximately 7.52% of revenue in 2018.
- SCBI operates a call center located in Yantai city, Shandong province, and accounted for approximately 5.88% of revenue in 2018.
- JCBI operates a call center in Kunshan city, Jiangsu province, and accounted for approximately 0.12% of revenue in 2018.
- ATIT operates five call centers located in Hefei city, Chuzhou city, Bozhou city, Anqing city, and Luan city, Anhui province, and accounted for approximately 9.94% of revenue in 2018.
- STTWB operates a call center in Wuhan city, Hubei province, and accounted for approximately 0.27% of revenue in 2018.

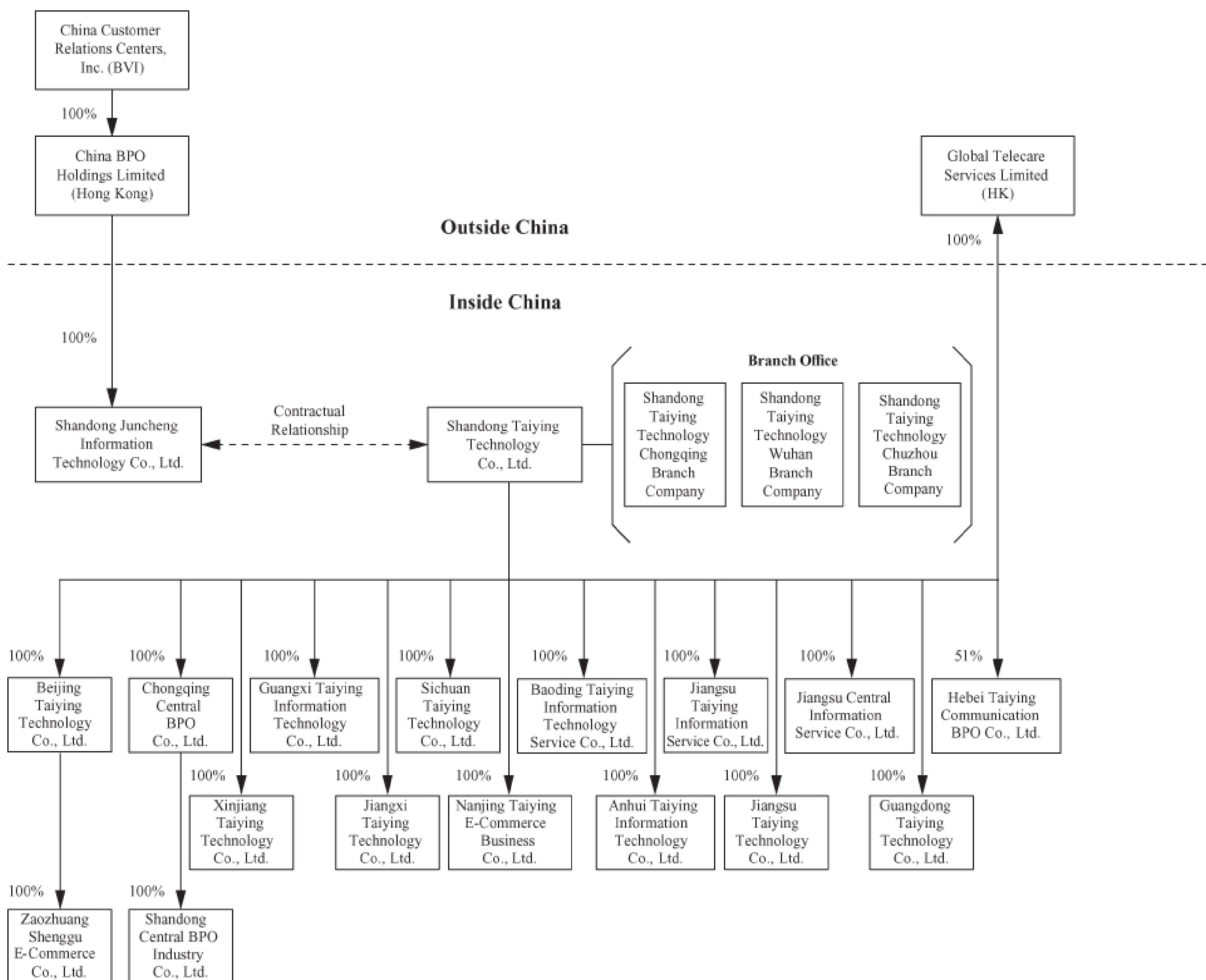
- STTCB does not operate a call center as the services were outsourced to Central BPO.
- STTCZB does not operate a call center as it was newly incorporated in January 2019.
- HTCC operates a call center located in Yanjiao city, Hebei province, and is accounted for approximately 3.57% of revenue in 2018.
- JTIS operates a call center located in Huaian city, Jiangsu province, and is accounted for approximately 12.23% of revenue in 2018.
- NTEB does not operate any call center as it provides technological support to other call centers. Accordingly, NTEB does not generate any external revenues.
- JXTT operates a call center located in Nanchang city, Jiangxi province, and is accounted for approximately 5.12% of revenue in 2018.
- XTTC operates a call center located in Urumqi City, Xinjiang Uygur Autonomous Region, and is accounted for approximately 3.16% of revenue in 2018.
- Taiying operates four call centers located in Taian city and Jinan city, Shandong province, and Luoyang city, Henan Province, which accounted for approximately 21.67% of revenue in 2018.
- GTSL does not operate a call center and does not generate any external revenues.
- BTIT operates a call center located in Baoding City, Hebei Province, and accounted for approximately 0.74% of revenue in 2018.
- STTC operates a call center located in Chengdu City, Sichuan Province, and accounted for approximately 3.40% of revenue in 2018.
- GTTC operates three call centers located in Nanning City, Guangxi Zhuang Autonomous Region, Luoyang City, Henan Province, and Kunming City, Yunnan Province, and accounted for approximately 4.28% of revenue in 2018.
- GDTC operates a call center located in Foshan City, Guangdong Province, and accounted for approximately 0.13% of revenue in 2018.
- BTTC does not operate any call center. It does not generate any external revenues.
- ZSEC operates a call center located in Zaozhuang City, Shandong Province, and accounted for approximately 6.06% of revenue in 2018.

Control Agreements

We conduct our business in China through our subsidiary, WFOE. WFOE, in turn, conducts its business through Taiying, in which we hold no equity interest, but which we control through a series of control agreements with Taiying and its shareholder. Foreign ownership of certain business is subject to restriction under applicable PRC laws, rules and regulations. Certain aspects of our call center business are subject to these restrictions on foreign investment. In order to comply with these laws and regulations, we have entered into control agreements with Taiying through which we operate the restricted businesses. Under U.S. GAAP, Taiying is considered a VIE. U.S. GAAP requires us to consolidate the operating companies in our financial statements because our control agreements related to Taiying provide us with the risks and rewards associated with equity ownership, even though we do not own any of the outstanding equity interests in the Operating Companies.

On September 3, 2014, Taiying and its sole shareholder, Beijing Taiying, entered into an Entrusted Management Agreement, Exclusive Option Agreement, Shareholder’s Voting Proxy Agreement and Pledge of Equity Interest Agreement (collectively, the “Control Agreements”) with WFOE in return for ownership interests in CCRC. Through the organization of CCRC as a holding company, Beijing Taiying’s shareholders now own 83% of the common shares of CCRC. The remaining 17% of CCRC’s common shares belong to other investors. CCRC indirectly controls Taiying through its 100% equity interests of WFOE. Through the Control Agreements, we can control the Operating Companies’ daily operations and financial affairs, appoint their senior executives and approve all matters requiring shareholder approval. As a result of the Control Agreements, which enable us to control the Operating Companies and cause WFOE to absorb 100% of the expected losses and gains of the Operating Companies, we are considered the primary beneficiary of the Operating Companies. Accordingly, we consolidate the Operating Companies’ operating results, assets and liabilities in our financial statements.

Our current corporate structure is as follows:



Contractual Arrangements with Taiying and its Shareholder. Our relationships with Taiying and its sole shareholder are governed by a series of contractual arrangements. Other than pursuant to the contractual arrangements between WFOE and Taiying, Taiying need not transfer any other funds generated from its operations to WFOE. Effective as of September 3, 2014, WFOE entered into the Control Agreements with Taiying and its sole shareholder, Beijing Taiying, which provide as follows:

Entrusted Management Agreement. Taiying, its sole shareholder and WFOE have entered into an Entrusted Management Agreement, which provides that WFOE will be fully and exclusively responsible for the management of Taiying. As consideration for such services, Taiying has agreed to pay the entrusted management fee during the term of this agreement. The entrusted management fee will be equal to Taiying's estimated earnings. Also, WFOE will assume all operational risks related to the entrusted management of Taiying and bear all losses of Taiying. The term of this agreement will be from the effective date thereof to the earliest of the following: (1) the winding up of Taiying; (2) the termination date of the Entrusted Management Agreement, as agreed by the parties thereto; or (3) the date on which WFOE completes an acquisition of Taiying.

Exclusive Option Agreement. Taiying and Taiying's sole shareholder have entered into an Exclusive Option Agreement with WFOE, which provides that WFOE will be entitled to acquire such shares from the current shareholder upon certain terms and conditions. In addition, WFOE is entitled to an irrevocable exclusive purchase option to purchase all or part of the assets and business of Taiying, if such a purchase is or becomes allowable under PRC laws and regulations and WFOE so elects. The Exclusive Option Agreement also prohibits Taiying and its shareholder from transferring any portion of the equity interests, business or assets of Taiying to anyone other than WFOE. WFOE has not yet taken any corporate action to exercise this right of purchase, and there is no guarantee that it will do so or will be permitted to do so by applicable law at such times as it may wish to do so.

Shareholder's Voting Proxy Agreement. The shareholder of Taiying has executed a Shareholder's Voting Proxy Agreement to irrevocably appoint the persons designated by WFOE with the exclusive right to exercise, on their behalf, all of its voting rights in accordance with applicable law and Taiying's Articles of Association, including but not limited to the rights to sell or transfer all or any of its equity interests in Taiying and to appoint and elect the directors and Chairman as the authorized legal representative of Taiying. This agreement will only be terminated prior to the completion of acquisition of all of the equity interests in, or all assets or business of Taiying.

Pledge of Equity Interest Agreement. WFOE and the shareholder of Taiying have entered into a Pledge of Equity Agreement, pursuant to which the shareholder pledged all of its shares (100%) of Taiying, to WFOE. If Taiying or its shareholder breaches its respective contractual obligations in the "Entrusted Management Agreement", "Exclusive Option Agreement" and "Shareholders' Voting Proxy Agreement", WFOE as pledgee, will be entitled to certain right to foreclose on the pledged equity interests. Taiying's shareholder cannot dispose of the pledged equity interests or take any actions that would prejudice WFOE's interest. This pledge has been recorded with applicable authorities in China to perfect WFOE's security interest.

Although the structure the company has 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. There are uncertainties regarding the interpretation and application of PRC laws and regulations including those that govern the company's contractual arrangements, which could limit the company's ability to enforce these contractual arrangements. If the company or any of its variable interest entities are found to be in violation of any existing or future PRC laws, rules or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures, including levying fines, revoking business and other licenses of the company's variable interest entities, requiring the company to discontinue or restrict its operations, restricting its right to collect revenue, requiring the company to restructure its operations or taking other regulatory or enforcement actions against the company. In addition, it is unclear what impact the PRC government actions would have on the company and on its ability to consolidate the financial results of its variable interest entities in the consolidated financial statements, if the PRC government authorities were to find the company's legal structure and contractual arrangements to be in violation of PRC laws, rules and regulations. If the imposition of any of these government actions causes the company to lose its right to direct the activities of Taiying and through Taiying's equity interest in its subsidiaries or the right to receive their economic benefits, the company would no longer be able to consolidate the financial results of Taiying and its subsidiaries.

D. *Property, Plants and Equipment.*

Our headquarters is located at 1366 Zhongtianmen Street, Xinghuo Science and Technology Park, High-tech Zone, Taian City, Shandong Province, People's Republic of China. WFOE and Taiying has incorporated total 18 subsidiary companies and branch offices strategically-located throughout China, affording our customers local expertise and management. Our facilities are used for sales and marketing, research and development and administrative functions. All of the facilities are leased. We believe our facilities are adequate for our current needs. A summary description of our facilities follows:

Office	Address	Rental Term	Space
Principal Executive Office	General Bldg 1/F-3/F, 1366 Zhongtianmen Street, IB District Standard Factories, Xinghuo Science and Technology Park High-tech Zone, Taian City, Shandong Province People's Republic of China 271000	November 2017- October 2020	132,558 sq. ft.
Jinan Office	Yinzuo Jingdu International Plaza 1-507, 66 E. Shunhe St., Shizhong District, Jinan, PRC	January 2019 – December 2019	906 sq. ft.
Shandong Taian Center	Northern Part of Single-Floor Factory and 1/F of General Bldg., 1366 Zhongtianmen Street Xinghuo Science and Technology Park High-tech Zone, Taian City, Shandong Province People's Republic of China	1/F: November 2017 – October 2020; 4/F: April 2018 – March 2021	32,529 sq. ft.
Chongqing Yongchuan Center	799 Heshun Ave. Bldg. 7 & 1-5/F of Bldg. 10, Yongchuan District, Chongqing, People's Republic of China 402160	Periodic Tenancy	139,231 sq. ft.
Chongqing Center	#14-#19, 5/F, A Zone, Neptune Science & Technology Mansion, 62 Xingguang Ave., Southern Area, Chongqing, PRC	August 2018 – August 2021	25,219 sq. ft.
Shandong Yantai Center	8-9 Jinhua Road Muping, Yantai, Shandong, People's Republic of China 264100	June 2018 – May 2021	92,645 sq. ft.

Office	Address	Rental Term	Space
Nanjing Office 1	8 Zhuanqiang Economic Park, Gaochun District, Nanjing City, Jiangsu Province, People's Republic of China	December 2014 – December 2024	538 sq. ft.
Nanjing Office 2	99 Shengtai Rd., Bldg 4, 3/F, Jiangning District, Nanjing, PRC	July 2018 – July 2021	14,434 sq. ft.
Beijing City Office	8 Guanghua Road Zhaoyang District, Beijing City, People's Republic of China	June 2017 – June 2019	1735 sq. ft.
Jiangsu Taizhou Center	West Bldg #2, 1/F – 4/F, 98 Phoenix West Road, Taizhou, Jiangsu Province, People's Republic of China 225300	1/F & 2/F: December 2009 – December 2024 3/F & 4/F: January 2017 – December 2024	129,167 sq. ft.
Hebei Yanjiao Center	Bai Shi Jin Gu Industry Base, Yanjiao Development District, Sanhe City, Hebei Province People's Republic of China 065201	September 2015 – September 2020	31,100 sq. ft.
Anhui Hefei Center	1299 Huguang Rd., Phase II Office Bldg. #1, 2-4/F, Shushan Economy Development District, Hefei City, Anhui Province, People's Republic of China 230000	2/F & 3/F (partial): October 2017 – September 2022; 3/F & 4/F: September 2018 – September 2022	70,127 sq. ft.
Anhui Chuzhou Office	6/F, 68 Xin'an Rd., Chuzhou Development District, Chuzhou, PRC	September 2018 – September 2021	1,808 sq. ft.
Xinjiang Center	90 Xishan Rd., Urumqi City, Xinjiang Uygur Autonomous Region, People's Republic of China 830000	Periodic Tenancy	31,291 sq. ft.
Guangxi Nanning Center	No. 5 Factory, China ASEAN Technology Enterprise Incubate Base II, 3 Zongbu Rd., Nanning City, Guangxi Zhuang Autonomous Region, People's Republic of China 530000	Periodic Tenancy	14,687 sq. ft.
Jiangsu Huaian Center 1	Huaian Insigma Technolgoy Park, Bldg. #35, 4-5/F, 8 Keji Rd., Economy & Technology Development District, Huaian, PRC	January 2019 – June 2019	44,131 sq. ft.
Jiangsu Huaian Center 2	Rooms 103, 208-209, 210-211, 311-315, 402-416, 501-518, Bldg #6 266 Chengde South Road Huaian Economic and Technology Development District, Jiangsu Province, People's Republic of China 223005	January 2019 – December 2019	40,042 sq. ft.
Jiangxi Nanchang Center	1807 Gaoxin Avenue Qingshan Lake District Nanchang City, Jiangxi Province People's Republic of China 330096	January 2015-December 2020	52,568 sq. ft.
Sichuan Chengdu Center	4 Jianshe South Zhi Rd., Dongjiaojiyi Park, 17th Bldg. 1/F-5/F, and 19th Bldg, 2/F-5/F, Chengdu, Sichuan, People's Republic of China	17th Bldg.: November 2017 – November 2022; 19th Bldg.: December 2017 – December 2023	100,131 sq. ft.

Office	Address	Rental Term	Space
Henan Luoyang Center	China Mobile Online Services Park Zone, Customer Service Bldg 2/F, Intersection of Taikang Rd. and Huitong St., Economy Technology Development District, Luoyang, Henan, PRC	February 2019 – February 2020	8,589.6 sq. ft.
Zaozhuang Center	BPO Industry Park, South Bldg. & South Bldg. #2, Dongshun Rd., Taierzhuang District, Zaozhuang, Shandong, People's Republic of China	South Bldg.: July 2018 – January 2021; South Bldg. #2: June 2016 – May 2026	86,111 sq. ft.
Baoding Center	999 Fuxing East Rd., Baoding Zhidian Startup Base Bldg. 1, 2/F, Rm. 202 & 203, Beishi District, Baoding, Hebei, People's Republic of China	Rm. 202: April 2017 – December 2020; Rm. 203: February 2019 – December 2020	17,048 sq. ft.
Guangdong Foshan Center	Rongyao International Finance Center, Rm. 401-408, 501-508, 25 Ronghe Rd., Guicheng Street, Nanhai District, Foshan, PRC	December 2018 – December 2023	44,849 sq. ft.
Wuhan Office	Rm. A10-202, Guanggu Software Park, Donghu High-Tech District, Wuhan, PRC	September 2018 – September 2019	2,260 sq. ft.

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our audited consolidated financial statements and the related notes included elsewhere in this annual report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this annual report.

A. *Operating Results.*

Overview

We are a BPO service provider focusing on the complex, voice-based and online-based segments of customer care services, including customer relationship management, technical support, sales, customer retention, marketing surveys and research for some of China's major enterprises. We provide customer care service via telephone and multimedia platforms, such as Apps, WeChat, Weibo, and websites to our clients. We help China companies enhance their strategic capabilities, improve quality and lower costs by designing, implementing and managing their critical back-office processes. Our goal is to create the largest call center service network in China by providing a fully-integrated solution that spans people, process, proprietary technology and infrastructure for governments and private-sector clients in the automotive, financial services, government, logistics, media and entertainment, retail, technology, travel, and telecommunication industries.

Our service is currently delivered from our call centers located in Shandong Province, Jiangsu Province, Henan Province, Guangdong Province, Yunnan Province, Hubei Province, Sichuan Province, Hebei Province, Anhui Province, the Xinjiang Uygur Autonomous Region, the Guangxi Zhuang Autonomous Region, Jiangxi Province and Chongqing City, with a capacity approximately of 18,384 seats. We reserved seats in excess of our current labor capacity in anticipation to increase in labor force due to increase in projects in the near future. We believe Taiying and its subsidiaries' strategic locations and our investment in technology and human resources position us well in our efforts to reach our goals.

In addition to answering inbound calls, or calls initiated by customers purchasing products and services from our clients, we also make outbound cold calls to help our clients promote their products, such as weather, health, education and farming related VAS products to targeted subscribers.

We generate almost all of our revenues from Didi Chuxing (a mobile taxi-calling company), Taobao, China Merchants Bank, subsidiaries of China Mobile and China Telecom, China Construction Bank, Alipay Internet Technology, Ping An Insurance, Haier, and HiSense. We signed outsourcing contracts with two of China's top ten largest banks based upon assets held, China Construction Bank and China CITIC Bank. We also signed outsourcing contracts with a subsidiary of China's online retailer Alibaba, Qunar, Jiedaibao, SF Express and China's tourism network.

We received grants from various government agencies after meeting certain conditions if applicable, such as locating call centers in their jurisdictions or helping local employment needs. Government grants are recognized when received and all the conditions specified in the grant have been met. For the year ended December 31, 2018, the government grants recognized as income were $1,709,297, accounting for 10% of our net income. For the year ended December 31, 2017, the government grants recognized as income were $1,885,340, accounting for 21% of our net income. We anticipate that we will continue to receive government grants in the coming year, and government grants will continue to have impact on our future profitability. In the absence of future government grants, our operations and profitability will be negatively impacted.

We operate our business through contractual arrangements between WFOE, our wholly-owned subsidiary, and Taiying. Through contractual arrangements, we are able to control the business of Taiying.

Principal Factors Affecting Our Results of Operations

Revenues

We generate revenue from the BPO programs we administer for our clients. For the year ended December 31, 2018, we derived 19% of our revenues from Didi Chuxing, and we also derived approximately 20% of our revenues from our service to China Mobile and their provincial subsidiaries.

We provide our services to clients under contracts that typically consist of a master services agreement containing the general terms and conditions of our client relationship, and a statement of work describing in detail the terms and conditions of each program we administer for a client. We have signed contracts with China Mobile and China Telecom for calling services which are typically for a one-year term. However, our client relationships tend to be longer-term given the scale and complexity of the services we provide coupled with the risk and costs to our clients associated with bringing business processes in-house or outsourcing them to another provider.

For inbound customer care service, we charge fees based on either the number of calls (charges per interaction) or predetermined seats charges (weekly charges, or monthly charges per seat). We negotiate these terms on a client-by-client basis. In most contracts, our clients pay a pre-determined rate if we meet specified performance criteria. Such criteria are based on objective performance metrics that our client agrees would add quantifiable value to their operations. In addition, most of our contracts include provisions that provide for downward revision of our prices under certain circumstances, such as if the average speed required to answer a call is longer than agreed to with the client. All of our fees and downward revision provisions are negotiated at the time that we sign a statement of work with a client, and our revenue from our contracts is thus fixed and determinable at the end of each month. For the year ended December 31, 2018, 49% of our revenue was generated from inbound calling and 30% of our revenue was generated from outbound calling. The remaining 21% of revenues was related to other services provided to our customers such as data processing.

China's major enterprises have begun to focus on BPO providers who can offer both inbound and outbound customer care service as a means to increase their sales and profitability. In the past, companies performed call center services internally, however, companies have found that by outsourcing these services they can lower their operational costs, along with obtaining high-quality customer interactions and innovative service solutions. We do not anticipate any major changes in our sales percentage between inbound and outbound calling and strive to keep a balance between these two services, because clients seek BPO providers who can provide both. However, if there is a major shift in profitability between inbound and outbound calls services, it is likely that we will focus our services to the area with the higher profit margin.

For outbound cold calling services, we charge fees based on the success of marketing services upon subscription. The fees we charge vary among all of our services.

We currently still derive a significant portion of our revenue from our telecommunications clients. Though we have reduced the dependence gradually during the past three years. Provincial subsidiaries of China Mobile and China Telecom represented 25%, 37%, and 48% of our sales for the years ended December 31, 2018, 2017, and 2016, respectively.

Factors Affecting Revenues

The following factors affect the revenues we derive from our operations. For other factors affecting our revenues, see "Risk Factors—Risks Related to Our Business."

Customer demand for outsourced call center customer care services. Customer demand for outsourced call BPO services is closely linked to the performance of the general economy and is sensitive to business and personal discretionary spending levels. Declines in customer demand due to adverse general economic conditions, lower customer confidence and changes in customer preferences for our clients' products can lower the revenues and profitability of our operations. As a result, changes in customer demand and general business cycles can subject our revenues to volatility. Management is constantly trying to find additional services that we can provide to our customers to help offset any decrease in demand for our services.

Relationships with major customers. Any negative changes in our relationship with China Mobile, China Telecom or other major enterprises and negative changes in customer demand and usage preference for our services can bring negative consequence to the revenue and profitability of our business. The loss, cancellation, deferral or renegotiation of any large agreements with China Mobile, China Telecom or other major enterprises could have a material adverse effect on our financial condition and results of operations. In addition, if China Mobile, China Telecom or other major enterprises decide to increase their percentage of revenue sharing, or do not comply with the terms and conditions of our agreements with them, our revenues and profitability could also be materially adversely affected. To help offset this risk we attempt to expand our client lists, and develop more customers in other industries, such as, banking and e-commerce.

Consumer privacy. The growth of our business may be adversely affected if the public becomes concerned that confidential user information transmitted over the Internet and wireless networks is not adequately protected. A damaging consumer backlash against unsolicited mobile marketing could occur if overzealous marketers fail to respect consumers' right to privacy and are perceived as inundating them with unwanted and irrelevant mobile marketing calls or messages. Our services may decline and our business may be adversely affected if significant breaches of network security or user privacy occur. We maintain and evaluate our networks for vulnerability in an attempt to safeguard consumer privacy.

Experienced customer care professionals. We rely on large numbers of customer service associates, and our success depends to a significant extent on our ability to attract, hire, train and retain qualified customer service associates. If we fail to attract and retain enough sufficiently trained customer service associates and other personnel to support our operations and our business, results of operations and financial condition will be seriously harmed. We have developed relationships with local colleges to put us in the position to recruit quality employees.

Competition. Competition in the BPO market is intense and growing. While the call center industry in China features a large number of companies, most of those companies are smaller call center operators with fewer than 100 seats each. We believe that the industry will experience increasing consolidation since consolidated operations result in economies of scale, brand name recognition, and more convenience and efficiency in servicing China's major enterprises. It is also possible that competition, in the form of new competitors or alliances, joint ventures or consolidation among existing competitors, may decrease our market share. Increased competition could result in lower personnel utilization rates, billing rate reductions, fewer customer engagements, reduced gross margins and loss of market share, any one of which could materially and adversely affect our profits and overall financial condition. To offset this risk, we seek to leverage our economies of scale, reputation in the marketplace and expand our geographic locations in order to serve our clients better and obtain new clients.

Expansion. We believe that businesses in China are increasingly looking for vendors that provide call center BPO services from multiple geographic locations. This allows clients to manage fewer vendors while minimizing risk to operations from natural disasters. We believe that we should continue to expand our business to other regions of China to increase our market share. In 2018, Taiying incorporated three new subsidiary companies and one in 2019 throughout China to further expand our business. If we fail to make acquisitions or expand to other geographic regions, our revenue growth could slow down.

Costs and Expenses

We primarily incur the following costs and expenses:

Costs of revenues. Cost of revenues consists primarily of the salaries, payroll taxes and employee benefit costs of our customer service associates and other operations personnel. Cost of revenues also includes direct communications costs, rent expense, information technology costs, and facilities support costs related to the operation of our call centers.

Selling, general and administrative expenses. Selling, general and administrative expenses consist primarily of compensation expense for our corporate staff and personnel supporting our corporate staff, communication costs, gasoline, welfare expenses, education expenses, professional fees (including consulting, audit and legal fees), travel and business hospitality expenses.

Depreciation. We currently purchase substantially all of our equipment. We record property and equipment at cost and calculate depreciation using the straight-line method over the estimated useful lives of our assets, which generally range from three to five years. We depreciate leasehold improvements on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset. If the actual useful life of any asset is less than its estimated depreciable life, we would record additional depreciation expense or a loss on disposal to the extent the net book value of the asset is not recovered upon sale. Our depreciation is primarily driven by large investments in capital equipment required for our continued expansion, including the build-out of seats, which we define as workstations where customer service associates generate revenue. These expenditures include tenant improvements to new facilities, furniture, information technology infrastructure, computers and software licenses and are usually in the range of $2,000 to $8,000 per seat depending on specific client requirements. These costs are generally depreciated over five years.

Factors Affecting Expenses

Prevailing salary levels. Our cost of services is impacted the most by prevailing salary levels. Although we have not been subject to significant wage inflation in China, any increase in the market rate for wages could significantly harm our operating results and our operating margin.

Forecasted demand for our services. We often incur more costs in the early stages of implementing our client's forecasted demand for our services. Similarly, we may also be required to increase recruiting and training costs to prepare our customer service associates for a specific type of service. If we undertake additional recruiting and training programs and our client terminates a program early or does not meet its forecasted demand, our operating margin could decline.

Managing our customer service associates efficiently. Our cost of services is also impacted by our ability to manage and employ our customer service associates efficiently. Our workforce management group monitors staffing requirements in an effort to ensure efficient use of these employees. Although we generally have been able to reallocate our customer service associates as client demand has fluctuated, an unanticipated termination or significant reduction of a program by a major client may cause us to experience a higher-than-expected number of unassigned customer service associates.

Transition to public company. Subsequent to the completion of our initial public offering, our administrative costs are increasing materially, as we need to comply with detailed reporting requirements. The increased expenses also include legal fees, insurance premiums, auditing fees, investor relations, shareholder meetings, printing and filing fees, share-based compensation expense, as well as employee-related expenses for regulatory compliance and other costs. In addition, the selling and administrative expenses are increasing as we add personnel and incur additional fees and costs related to the growth of our business and our operation as a publicly traded company in the United States.

Number of customers. To the extent Taiying increases the number of its clients, we expect to experience a corresponding increase in selling expenses and travel expenses. At present, Taiying is able to service substantially all of its customers with its 26 call center locations including the call centers on client sites. As we expand our Chongqing, Xinjiang, Guangxi and Shandong facilities, we expect Taiying to add more customers and incur more selling expenses.

Number of call centers we operate. We operate 26 call centers throughout China, that enable us to service clients throughout Shandong province (Taian City, Yantai City, Zaozhuang City), Jiangsu province (Taizhou City, Huaian City), Anhui province (Hefei City, Chuzhou City, Luan City), Hebei province (Yanjiao City, Baoding City), the Xinjiang Uygur Autonomous Region (Urumqi City), the Guangxi Zhuang Autonomous Region (Nanning City), Jiangxi province (Nanchang City), Chongqing City, Sichuan Province (Chengdu City), and Yunnan province (Kunming City). As Taiying operates more call centers, our administrative expenses tend to increase in dollars but decrease as a percentage of revenues.

Manage and utilize our seats efficiently. The effect of our depreciation on our operating margin is impacted by our ability to manage and utilize our seats efficiently. We seek to expand our seat capacity only after receiving contractual commitments from our clients. However, we have in the past increased our seat capacity based on forecasted demand projections from our clients, which are not contractual commitments. This has resulted in a surplus of seats, which has increased our depreciation and, to a limited extent, reduced our operating margin. As a general rule, the efficiency of our use of seats has had less of an impact on our operating margin than the efficiency of our deployment of our customer service associates.

Depreciation. Our depreciation is primarily driven by large investments in capital equipment required for our continued expansion, including the build-out of seats, which we define as workstations where customer service associates generate revenue. These expenditures include tenant improvements to new facilities, furniture, information technology infrastructure, computers and software licenses and are usually in the range of $2,000 to $8,000 per seat depending on specific client requirements. These costs are generally depreciated over five years and are substantially the same in the United States and in China.

Results of Operations

	For The Years Ended December 31,		
	2018	**2017**	**2016**
Revenues, net	$ 141,433,641	$ 88,971,787	$ 72,731,706
Cost of revenues	102,567,896	65,562,563	53,098,552
Gross profit	38,865,745	23,409,224	19,633,154
Gross margin	27%	26%	27%
Selling, general and administrative expenses	21,329,908	14,766,524	11,082,106
Operating income	$ 17,535,837	$ 8,642,700	$ 8,551,048

Revenues. Our revenues from third parties were $141,433,641 and $88,971,787 for the years ended December 31, 2018 and 2017, respectively, an increase of $52,461,854, or 59% as a result of growth in our BPO business. Our revenues from third parties were $88,971,787 and $72,731,706 for the years ended December 31, 2017 and 2016, respectively, an increase of $16,240,081, or 22% as a result of growth in our BPO business. All of our revenue was generated from third party companies for the years ended December 31, 2018, 2017, and 2016. Our revenue growth in the years of 2018, 2017 and 2016 resulted primarily from acquiring new customers and increased sales volumes to our existing clients.

Gross margin. Our gross margin stayed stable for the years ended December 31, 2018, 2017, and 2016 at 27%, 26%, and 27%, respectively. We have been maintaining our efficiency while expanding our business over the years.

Cost of revenues. Cost of revenues consists primarily of salaries, payroll taxes and employee benefits costs of our customer service associates and other operations personnel. Cost of revenues also includes direct communications costs, rent expenses, information technology costs and facilities support expenses. Our cost of revenues increased by $37,005,333, or 56% for the year ended December 31, 2018 compared to the year ended December 31, 2017. Our cost of revenues increased by $12,464,011, or 23% for the year ended December 31, 2017 compared to the year ended December 31, 2016. This absolute dollar increase in cost of revenues for the year ended December 31, 2018 over the year ended December 31, 2017 and for the year ended December 31, 2017 over the year ended December 31, 2016 directly corresponded to the increase in revenue during the same year. Our cost of revenues as a percentage of revenue was 73%, 74% and 73% for the years ended December 31, 2018, 2017 and 2016, respectively.

Selling, general and administrative expenses. Selling, general and administrative expenses consist primarily of sales and administrative employee-related expenses, professional fees, travel costs, research and development costs, and other corporate expenses. Selling, general and administrative expenses were $21,329,908 for the year of 2018, an increase of $6,563,384, or 44% from December 31, 2017 to December 31, 2018. Selling, general and administrative expenses were $14,766,524 for the year of 2017, an increase of $3,684,418, or 33% from December 31, 2016 to December 31, 2017. The increase in selling, general and administrative expenses over years is a result of higher payroll and bonus expenses paid to the administrative and research personnel and the management team. We anticipate that our administrative expenses, particularly those related to support personnel costs, professional fees, as well as Sarbanes-Oxley compliance, will continue to increase as we are a new publicly traded company in the United States.

Income from operations. Our income from operations were $17,535,837 for the year ended December 31, 2018, $8,642,700 for the year ended December 31, 2017, and $8,551,048 for the year ended December 31, 2016. Our operating income as a percentage of total revenues was 12% for the year ended December 31, 2018, 10% for the year ended December 31, 2017, and 12% for the year ended December 31, 2016. We have been keeping a relatively stable yield from operation while successfully expanding and growing our business for new and existing customers.

Government Grants. Government grants were $1,709,297 and $1,885,340 for the years ended December 31, 2018 and 2017, respectively, a decrease of $176,043 or 9%. Government grants were $1,885,340 and $801,125 for the years ended December 31, 2017 and 2016, respectively, an increase of $1,084,215 or 135%. Most of government grants were a one-time event. Government grants as a percentage of net income is 10%, 21% and 10% for the years ended December 31, 2018, 2017 and 2016, respectively.

Income Taxes. We incurred $2,966,880, $1,255,654 and $1,448,923 in income taxes for the years ended December 31, 2018, 2017 and 2016, respectively. The $1,711,226 increase from year ended December 31, 2017 to year ended December 31, 2018 resulted from our increased revenues and operating income. The $193,269 decrease from the year ended December 31, 2016 to the year ended December 31, 2017 resulted from our successful application for the preferential tax rate for some of our subsidiaries. In 2018, ZSEC, Taiying, Central BPO, JTTC, SCBI, JTIS, HTCC, JXTT, and XTTC were entitled to a preferential enterprise income tax rate of 15%. In 2017, Taiying, Central BPO, JTTC, SCBI, JTIS, HTCC, JXTT, and XTTC were entitled to a preferential enterprise income tax rate of 15%. In 2016, Taiying was entitled to a preferential enterprise income tax rate of 15%. The standard enterprise income tax rate in China is 25%.

Net Income attributable to China Customer Relations Centers, Inc.

Our net income attributable to China Customer Relations Centers, Inc. was $16,092,538 and $8,773,459 for the years ended December 31, 2018 and 2017, respectively, representing a significant increase of $7,319,079, or 83%. The increase in net income was a result of our increased revenues, offset by increased cost of revenues, selling and administrative expenses and income tax expense, and decreased government grants for the year ended December 31, 2018, compared to the year ended December 31, 2017.

Our net income attributable to China Customer Relations Centers, Inc. was $8,773,459 and $8,277,251 for the years ended December 31, 2017 and 2016, respectively, representing an increase of $496,208, or 6%. We have been keeping a stable yield from our operations while successfully expanding and growing our business from new and existing customers for the year ended December 31, 2017, compared to the year ended December 31, 2016.

Net Income attributable to Noncontrolling interest. Noncontrolling interest represents the ownership interests Jiate holds in HTCC and the amount recorded as noncontrolling interest in our consolidated statements of income and comprehensive income is computed by multiplying the after-tax loss for the year ended December 31, 2017 by the percentage ownership in HTCC not directly attributable to us. For the years ended December 31, 2018, 2017, and 2016, the weighted average noncontrolling interest attributable to ownership interests in HTCC not directly attributable to us was 49%, 48%, and 0%, respectively.

B. *Liquidity and Capital Resources*

Liquidity

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations and otherwise operate on an ongoing basis. At December 31, 2018, we have a working capital of $41,050,234, compared to a working capital of $30,044,263 at December 31, 2017.

Our cash and cash equivalents balance at December 31, 2018 totaled $24,419,912, compared to $18,628,365 at December 31, 2017. During the year ended December 31, 2018, cash provided by operating activities was $12,142,470, cash used in investing activities amounted was $4,748,428, and cash used in financing activities was $89,084, and the negative effect of prevailing exchange rates on our cash position was $1,513,411. During the year ended December 31, 2017, cash provided by operating activities was $3,002,240, cash used in investment activities was $5,365,819, cash provided by financing activities was $3,660,157, and the positive effect of prevailing exchange rates on our cash position was $884,519. During the year ended December 31, 2016, cash provided by operating activities was $5,666,284, cash used in investing activities was $1,020,870, cash used in financing activities was $1,510,962, and the negative effect of prevailing exchange rates on our cash position was $811,033.

The increase of $5,791,547 in cash and cash equivalents from December 31, 2017 to December 31, 2018 was mainly due to our increased net income, offset by capital expansion we initiated to expand current call centers and equip new call centers for the year ended December 31, 2018.

The increase of $2,681,097 in cash and cash equivalents from December 31, 2016 to December 31, 2017 was primarily due to proceeds of $3,780,490 borrowed from Bank of China and our increased net income, offset by capital expansion we initiated to expand current call centers and equip new call centers for the year ended December 31, 2017.

Other than the continued strength of China's economy, the needs of telecommunications operators to outsource their call center functions, and the growing demand for Taiying's call-center service among other industries (all of which we believe may increase our liquidity, if they continue), we are not aware of any trends or any demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in our liquidity increasing or decreasing in any material way.

For 2018, we expect our main growth will be organic, from Taiying's 26 call center locations. The demand for Taiying's call center services appears to be strengthening, from which we expect to generate a positive cash flow. We are seeking to acquire potential target companies and expect to complete any acquisitions in the near future, which may be a more efficient way to expand our business. In the near future, additional amounts need to be used for facility improvements and expansion based on our current estimates of our facilities requirements that are necessary to support the anticipated growth of our business. In addition, we expect additional cash and cash equivalent will be occupied as working capital with the rapid growth of our revenue. We believe that we will be able to finance our acquisition plan, our working capital needs and planned facilities improvements and expansion for at least the next 12 months from cash generated from operations, borrowings under our revolving line of credit and the proceeds from our initial public offering.

To the extent demand for Taiying's call center BPO services increases, we need to consider establishing or acquiring additional facilities in different cities to meet such increased demand. In addition to subsidiaries established in prior years, we set up Guangdong Taiying Technology Co., Ltd. and two new branch companies of Taiying since 2018. With the completion of our initial public offering in December 2015 and the sustained rapid growth in the last three years, we want to accelerate the expansion of our business by acquiring value-added target companies in the near future.

Our long-term future capital requirements will depend on many factors, including our level of revenue, the timing and extent of our spending to support the maintenance and growth of our operations, the expansion of our sales and the continued market acceptance of our services. As of December 31, 2018, we had a short-term bank loan outstanding of $3,635,623, compared to $3,842,371 short term bank loan outstanding as of December 31, 2017. We also expect to continue to have significant capital requirements associated with the maintenance and growth of our operations, including the lease and build-out of additional facilities primarily to support an increase in the number of our customer service associates and the purchase of computer equipment and software, telecommunications equipment and furniture, fixtures and office equipment to support our operations. We expect to continue to incur additional costs associated with being a publicly traded company in the United States, primarily due to increased expenses that we incur to comply with the requirements of the Sarbanes-Oxley Act of 2002, as well as costs related to accounting and tax services, directors and officers insurance, legal expenses and investor and shareholder-related expenses. These additional long-term expenses may require us to seek other sources of financing, such as additional borrowings or public or private equity or debt capital. The availability of these other sources of financing will depend upon our financial condition and results of operations as well as prevailing market conditions, and may not be available on terms reasonably acceptable to us or at all.

We are using proceeds from our initial public offering to fund our business. Accordingly, the following regulations have to be followed, regarding capital injections to foreign-invested enterprises.

PRC regulations relating to investments in offshore companies by PRC residents. SAFE (Short for State Administration of Foreign Exchange) promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles, or SAFE Circular 37, on July 4, 2014. SAFE Circular 37 requires PRC residents to register and update certain investments in companies incorporated outside of China with their local SAFE branch. SAFE also subsequently issued various guidance and rules regarding the implementation of SAFE Circular 37, which imposed obligations on PRC subsidiaries of offshore companies to coordinate with and supervise any PRC-resident beneficial owners of offshore entities in relation to the SAFE registration process.

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 cannot assure you that all of our PRC-resident beneficial owners will comply with SAFE Circular 37 and subsequent implementation rules. The failure of our beneficial owners who are PRC residents to register or amend their SAFE 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 subsidiaries to fines and legal sanctions. Failure to register may also limit our ability to contribute additional capital to our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to our company. These risks may 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. We are an offshore holding company conducting our operations in China through our WFOE and consolidated Taiying. As an offshore holding company, we may make loan to WFOE and Taiying subject to the approval from government authorities and limitation of amount, we also may make additional capital contributions to our WFOE.

Any loan to our WFOE, which is treated as foreign-invested enterprise under PRC law, is subject to PRC regulations and foreign exchange loan registrations. In January 2003, SDRC (Short for State Development and Reform Commission), SAFE and Ministry of Finance jointly promulgated the Circular on The Interim Provisions on the Management of Foreign Debts, or the Circular 28, regulating the total amount of foreign debts of a foreign-invested company is the difference between the amount of total investment as approved by the Ministry of Commerce or its local counterpart and the amount of registered capital of such foreign-invested company. This means loans by us to our WFOE to finance its activities cannot exceed statutory limits and must be registered with SAFE. For example, the current amounts of approved total investment and registered capital of our WFOE is $10 million and $5 million, respectively, which means WFOE cannot obtain loans in excess of $5 million from our entities outside of China currently.

We decided to finance WFOE by means of capital contributions. These capital contributions must be approved by the Ministry of Commerce or its local counterpart. In August 2008, SAFE issued 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 SAFE Circular No. 142, regulating the conversion by a foreign-invested enterprise of foreign currency registered capital into RMB by restricting how the converted RMB may be used. SAFE Circular No. 142 provides that 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 a foreign-invested company. The use of such RMB capital may not be altered without SAFE's approval, and such RMB capital may not in any case be used to repay RMB loans if the proceeds of such have not been used. Violation of SAFE Circular No. 142 could result in severe monetary or other penalties. Furthermore, SAFE promulgated a circular in November 2010, SAFE Circular No. 59, which requires the authenticity of settlement of net proceeds from offshore offerings to be closely examined and the net proceeds to be settled in the manner described in the offering documents, or otherwise approved by our board. These two circulars may significantly limit our ability to effectively transfer the proceeds from future financing activities to Taiying. Further, we may not be able to convert the net proceeds into RMB to invest in or acquire any other PRC Companies in China, which may adversely affect our liquidity and our ability to fund and expand our business in China.

Currently, the approved investment amount of WFOE is $10 million, its registered capital as of the last period presented is $5 million. Taiying is a PRC domestic company, which has a registered capital of RMB 10,000,000. Violations of these SAFE regulations may result in severe monetary or other penalties, including confiscation of earnings derived from such violation activities, a fine of up to 30% of the RMB funds converted from the foreign invested funds or in the case of a severe violation, a fine ranging from 30% to 100% of the RMB funds converted from the foreign-invested funds.

Capital Resources

The following table provides certain selected balance sheets comparisons as of December 31, 2018 and December 31, 2017:

	December 31, 2018	December 31, 2017	Increase (Decrease)	%
Cash and cash equivalents	$ 24,419,912	$ 18,628,365	$ 5,791,547	31%
Accounts receivable, net	30,050,506	23,689,583	6,360,923	27%
Notes receivable – related party, current	-	968,277	(968,277)	-100%
Prepayments	1,689,835	1,277,149	412,686	32%
Prepayment, related party	91,618	-	91,618	100%
Due from related parties, net	199,994	219,051	(19,057)	-9%
Income taxes recoverable	527,995	-	527,995	100%
Other current assets	1,959,923	1,084,929	874,994	81%
Total current assets	58,939,783	45,867,354	13,072,429	29%
Equity investments	3,491,653	3,688,676	(197,023)	-5%
Property and equipment, net	8,290,460	6,067,338	2,223,122	37%
Deferred tax assets	486,009	313,463	172,546	55%
Total non-current assets	12,268,122	10,069,477	2,198,645	22%
Total assets	$ 71,207,905	$ 55,936,831	$ 15,271,074	27%
Short term loan	$ 3,635,623	$ 3,842,371	$ (206,748)	-5%
Accounts payable	610,724	495,177	115,547	23%
Accounts payable - related parties	162,112	46,661	115,451	247%
Accrued liabilities and other payables	5,673,159	4,724,823	948,336	20%
Deferred revenue	361,636	607,660	(246,024)	-40%
Wages payable	7,082,138	5,565,078	1,517,060	27%
Income taxes payable	364,157	541,321	(177,164)	-33%
Total current liabilities	17,889,549	15,823,091	2,066,458	13%
Total liabilities	$ 17,889,549	$ 15,823,091	$ 2,066,458	13%

We maintain cash and cash equivalents in China. At December 31, 2018 and 2017, bank deposits were as follows:

Country	December 31, 2018	December 31, 2017
China	$ 23,767,806	$ 17,334,930
China (offshore bank account)	596,689	1,221,729
Total	$ 24,364,495	$ 18,556,659

The majority of our cash balances at December 31, 2018 are in the form of RMB stored in bank account of China. Cash held in banks (both mainland and offshore bank accounts) in the PRC is not insured. The value of cash on deposit in mainland China of $24,364,495 as of December 31, 2018 has been converted based on the exchange rate as of December 31, 2018. In 1996, the Chinese government introduced regulations, which relaxed restrictions on the conversion of the RMB; however restrictions still remain, including but not limited to restrictions on foreign invested entities. Foreign invested entities may only buy, sell or remit foreign currencies after providing valid commercial documents at only those banks authorized to conduct foreign exchanges. Furthermore, the conversion of RMB for capital account items, including direct investments and loans, is subject to PRC government approval. Chinese entities are required to establish and maintain separate foreign exchange accounts for capital account items. We cannot be certain Chinese regulatory authorities will not impose more stringent restrictions on the convertibility of the RMB, especially with respect to foreign exchange transactions. Accordingly, cash on deposit in banks in the PRC is not readily deployable by us for use outside of China.

Cash and cash equivalents

As of December 31, 2018, cash and cash equivalents were $24,419,912, which increased by $5,791,547 compared to $18,628,365 as of December 31, 2017. The following table sets forth certain items in our consolidated statements of cash flows for 2016, 2017 and 2018.

	For The Years Ended December 31,		
	2018	2017	2016
Net cash provided by operating activities	$ 12,142,470	$ 3,002,240	$ 5,666,284
Net cash used in investing activities[1]	(4,748,428)	(5,365,819)	(1,020,870)
Net cash provided by (used in) financing activities	(89,084)	3,660,157	(1,510,962)
Exchange rate effect on cash, cash equivalents and restricted cash	(1,513,411)	884,519	(811,033)
Net cash inflow	$ 5,791,547	$ 2,181,097	$ 2,323,419

(1) For net cash used in investing activities for the year ended December 31, 2017, a positive effect from collection of restricted cash of $500,000, which was excluded from presentation of cash flows used in investing activities in the statements of cash flow and included in the beginning balance of cash, cash equivalents and restricted cash pursuant to the adoption of ASU 2016-18.

Accounts Receivable, net

Account receivables, net as of December 31, 2018 was $30,050,506, an increase of $6,360,923 compared to a balance of $23,689,583 as of December 31, 2017. This increase resulted primarily from increases in the volume of services we provide.

Due from related parties, net

As of December 31, 2018, net balances due from related parties were $199,994, a decrease of $19,057 compared to $219,051 at December 31, 2017. The amount owed to the Company by related party companies represents non-secured, interest free, short-term loan obtained from the Company, which was due on demand, for balance outstanding as of December 31, 2018 and 2017.

Current assets

Current assets as of December 31, 2018 totaled $58,939,783, an increase of $13,072,429, or 29% from our December 31, 2017 balance. This increase primarily resulted from a $5,791,547 increase in cash and cash equivalents, a $6,360,923 increase in net accounts receivable, an $874,994 increase in other current assets, a $412,686 increase in prepayments, and a $527,995 increase in income taxes recoverable, offset by a $968,277 decrease in notes receivable from a related party.

Property and equipment, net

Property and equipment, net as of December 31, 2018 were $8,290,460, an increase of $2,223,122 compared to December 31, 2017. This increase primarily resulted from an increase of $2,351,649 in electronic equipment to support the growth of our operations, offset by an aggregate decrease of $86,946 in other property and equipment and current depreciation.

Accrued liabilities and other payables

Accrued liabilities and other payables principally include network rental expense in the telecommunication industry, unpaid travel expense, bonus to employees, and professional service expense. The balance as of December 31, 2018 was $5,673,159, an increase of $948,336 compared to $4,724,823 as of December 31, 2017.

Wages payable

Wages payable as of December 31, 2018 was $7,082,138, an increase of $1,517,060 compared to $5,565,078 as of December 31, 2017. This increase resulted from the increased employees' compensation with our expansion of operations for the year ended December 31, 2018.

Cash Provided By Operating Activities

Net cash provided by operating activities for the year ended December 31, 2018 totaled $12,142,470. The activities were mainly comprised of net income of $16,301,131, depreciation of $2,635,242, allowance for doubtful accounts of $952,439, and an increase in accrued liabilities and other payables of $1,077,098, offset by an increase of $7,937,804 in net accounts receivable and $970,199 in other current assets.

Net cash provided by operating activities for the year ended December 31, 2017 totaled $3,002,240. The activities were mainly comprised of net income of $9,115,131, depreciation of $1,852,152, an increase in wages payable of $2,393,214, and an increase in accrued liabilities and other payables of $1,016,373 offset by an increase of $9,269,755 in accounts receivable, a decrease of $505,372 in accounts payable, an increase of $1,313,830 in prepayments, and a decrease of $386,825 in income taxes payable.

Net cash provided by operating activities for the year ended December 31, 2016 totaled $5,666,284. The activities were mainly comprised of an increase in accounts receivable of $5,561,722, an increase in prepayments of $767,516 and offset by our net income of $8,277,251, depreciation of $1,542,352, allowance for doubtful accounts of $805,870, an increase in wage payable of $277,335, and an increase in accrued liabilities and other payables of $454,572, and an increase in deferred revenue of $634,644.

The significant increase in cash flows from our operating activities for the year ended December 31, 2018 compared to the year ended December 31, 2017 primarily resulted from our increase in net income yield from our operation for the year ended December 31, 2018, offset by increase in net accounts receivable.

The significant decrease in cash flows from our operating activities for the year ended December 31, 2017 compared to the year ended December 31, 2016 primarily resulted from our increase in account receivable and prepayments, the decrease in account payable, income taxes payable, and deferred revenue, offset by the increase in net income, depreciation, and wages payable.

Cash Used In Investing Activities

Net cash used in investing activities for the year ended December 31, 2018 totaled $4,748,428. The activities were primarily comprised of a $4,768,139 purchase of property and equipment.

Net cash used in investing activities for the year ended December 31, 2017 totaled $5,365,819. The activities were primarily comprised of a $233,596 collection from a loan made to a third party company, $3,509,404 payment for equity investments, and $2,082,719 purchase of property and equipment.

Net cash used in investing activities for the year ended December 31, 2016 totaled $1,020,870. The activities were primarily comprised of $478,775 used to purchase property and equipment, $18,210 advanced to related parties, and $563,896 loans made to a third party company, offset by $40,011 repayment from related parties.

One of our primary uses of cash in our investing activities for each period is for our purchase of property and equipment, including information technology equipment, furniture, fixtures and leasehold improvements for expansion of available seats. We spent $2,685,420 more than 2017 in purchasing property and equipment for the year ended December 31, 2018. We spent $1,603,944 more than 2016 in purchasing property and equipment for the year ended December 31, 2017. In addition, for the year ended December 31, 2017, we paid cash of $3,509,404 to make investments in other companies for the first time in the past three years.

Cash Provided By (Used In) Financing Activities

For the year ended December 31, 2018, net cash used in financing activities was $89,084, which primarily resulted from a dividend of $355,232 distributed to Jiate, 49% owner of HTCC.

For the year ended December 31, 2017, net cash provided by financing activities was $3,660,157, which primarily consisted of proceeds from a loan from Bank of China.

For the year ended December 31, 2016, net cash used in financing activities was $1,510,962. We repaid short-term loans of $1,510,962.

We have maintained a stable financing with the Bank of China during the year ended December 31, 2018. We decided to distribute the dividend to Jiate for the continuous source of income Jiate has introduced to HTCC.

The change in cash flow for our financing activities in the amount of $5,171,119 more for the year ended December 31, 2017 than the year ended December 31, 2016 was due to the borrowing of $3,780,490 from Bank of China and $0 repayment of bank loans in 2017, as compared to 2016.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our audited consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these audited consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. We evaluate our estimates on an ongoing basis, including those related to revenue recognition and income taxes. We base our estimates on our historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making the judgments we make about the carrying values of our assets and liabilities that are not readily apparent from other sources. Because these estimates can vary depending on the situation, actual results may differ from the estimates.

The critical accounting policies summarized in this section are discussed in further detail in the notes to the audited consolidated financial statements appearing elsewhere in this annual report. Management believes that the application of these policies on a consistent basis enables us to provide useful and reliable financial information about our operating results and financial condition.

Variable Interest Entities

Pursuant to ASC 810 and related subtopics related to the consolidation of variable interest entities, we are required to include in our consolidated financial statements the financial statements of VIEs. The accounting standards require a VIE to be consolidated by a company if that company is subject to a majority of the risk of loss for the VIE or is entitled to receive a majority of the VIE's residual returns. VIEs are those entities in which we, through contractual arrangements, bear the risk of, and enjoy the rewards normally associated with ownership of the entity, and therefore we are the primary beneficiary of the entity. Taiying is considered a VIE, and we are the primary beneficiary. We, through our wholly-owned subsidiary, WFOE, entered into the Control Agreements with Taiying pursuant to which WFOE shall receive all of Taiying's net income and bear all losses of Taiying. In accordance with these agreements, Taiying shall pay consulting fees equal to 100% of its estimated earnings before tax to WFOE.

The accounts of Taiying and its subsidiaries are consolidated in the accompanying financial statements. As VIEs, Taiying and its subsidiaries' sales are included in our total sales, its income from operations is consolidated with ours, and our net income includes all of Taiying and its subsidiaries' net income, and their assets and liabilities are included in our consolidated balance sheets. The VIEs do not have any non-controlling interest and, accordingly, we did not subtract any net income in calculating the net income attributable to us. Because of the Control Agreements, we have pecuniary interest in Taiying that require consolidation of Taiying and its subsidiaries' financial statements with our financial statements.

As required by ASC 810-10, we perform a qualitative assessment to determine whether we are the primary beneficiary of Taiying which is identified as a VIE of us. A quality assessment begins with an understanding of the nature of the risks in the entity as well as the nature of the entity's activities including terms of the contracts entered into by the entity, ownership interests issued by the entity and the parties involved in the design of the entity. The significant terms of the agreements between us and Taiying are discussed above in the "Our Corporate Structure—Contractual Arrangements with Taiying and Taiying's Shareholder" section. Our assessment on the involvement with Taiying reveals that we have the absolute power to direct the most significant activities that impact the economic performance of Taiying. WFOE, our wholly own subsidiary, is obligated to absorb all operating risks of loss from Taiying and entitles WFOE to receive all of Taiying's expected residual returns. In addition, Taiying's shareholders have pledged their equity interest in Taiying to WFOE, irrevocably granted WFOE an exclusive option to purchase, to the extent permitted under PRC Law, all or part of the equity interests in Taiying and agreed to entrust all the rights to exercise their voting power to the person(s) appointed by WFOE. Under the accounting guidance, we are deemed to be the primary beneficiary of Taiying and the results of Taiying and its subsidiaries are consolidated in our consolidated financial statements for financial reporting purposes.

Revenue Recognition

The Company operates call centers and generates revenues primarily by providing BPO services, which focus on complex, voice-based and online-based segment of customer care services.

On January 1, 2018, the Company adopted ASC 606, *Revenue from Contracts with Customers*, using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts have not been adjusted and continue to be reported in accordance with the Company's historic accounting under ASC 605, *Revenue Recognition*. The adoption had no material impact on the Company's consolidated financial statements and there was no adjustment to the beginning retained earnings on January 1, 2018.

Under ASC 606, revenue is recognized when control of the promised services is transferred to the Company's customers, in an amount that reflects the consideration that the Company expects to be entitled to in exchange for those services, net of value-added tax. The Company determines revenue recognition through the following steps:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company provides BPO service, such as i) inbound call service, which includes directory assistance, mobile phone service plan, billing questions, hotline consultation, complaints, customer feedbacks, customer relationship management, etc., and ii) outbound call service, which includes products selling, marketing surveys, new products informing, plans expiration and bills overdue notification, products selling, marketing surveys, new products informing, plans expiration and bills overdue notification, etc., for its customers.

The Company makes arrangement and provides service to its customer pursuant to a master agreement that specifies service content and the price of an individual performance of each service, generally on monthly basis. The BPO inbound and outbound service fees are based on either a per minute, per hour, per transaction or per call basis. For outbound call service, certain business successful rate was obtained. The fee is determined on a per call basis where the Company receives a basic standard fee for each call plus an extra fee for successfully selling a product or completing a survey, etc.

The nature of the Company's contracts with customers gives rise to certain types of variable consideration. Certain client programs provide for adjustments to monthly billings based upon whether the Company achieves, exceeds or fails certain performance criteria. Adjustments to monthly billings consist of contractual bonuses/penalties, holdbacks and other performance based contingencies. The Company includes estimated amounts of variable consideration in the transaction price to the extent that it is probable there will not be a significant reversal of revenue. Estimates are based on historical or anticipated performance and represent the Company's best judgment at the time.

Revenues are recognized as the performance obligations are satisfied over time over the service period as the service is rendered.

The Company's chief operating decision maker reviews results analyzed by customers and the analysis is only presented at the revenue level with no allocation of direct or indirect costs. The Company determines that it has only one operating segment. Consequently, the Company does not disaggregate revenue recognized from contracts with customers.

Contract liabilities represented receipt in advance from customers. As of December 31, 2018, receipt in advance from customers was $361,636. As of December 31, 2017, receipt in advance from customers was and $331,009, of which $310,510 was recognized as revenue in the year ended December 31, 2018. Receipt in advance from customers is included in deferred revenue in the consolidated balance sheets. The Company does not have any contract asset.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates and judgments on historical experience and on various other assumptions and information that are believed to be reasonable under the circumstances. Estimates and assumptions of future events and their effects cannot be perceived with certainty and, accordingly, these estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. Significant estimates and assumptions by management include, among others, useful lives and impairment of long-lived assets, impairment of equity investments, allowance for doubtful accounts, income taxes including the valuation allowance for deferred tax assets, and estimated amounts of variable consideration in the Company's revenue recognition. While the Company believes that the estimates and assumptions used in the preparation of the financial statements are appropriate, actual results could differ from those estimates. Estimates and assumptions are periodically reviewed and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary.

Noncontrolling Interest

Noncontrolling interest on the consolidated balance sheets resulted from the consolidation of HTCC, a 51% owned subsidiary starting from January 31, 2017. The portion of the income or loss applicable to the noncontrolling interest in subsidiaries is reflected in the consolidated statements of income and comprehensive income.

Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, net, prepayments, income taxes recoverable, other current assets, accounts payable, accrued liabilities and other payables, deferred revenue, wages payable, income taxes payable, and short term loan, the carrying amounts approximate their fair values due to the short maturities.

Equity Investments

The Company's equity investments consist of investments in equity securities of privately held companies without readily determinable fair value, where the Company's level of ownership is such that it cannot exercise significant influence over the investees. Investments are initially recorded at the amount of the Company's initial investment and adjusted for declines in fair value that are considered other than temporary.

Subsequent to the Company's adoption of ASC 321 on January 1, 2018, the Company elected to record these investments at cost, less impairment, and plus or minus subsequent adjustments for observable price changes. The Company makes a qualitative assessment of whether the investments is impaired at each reporting date. If a qualitative assessment indicates that an investment is impaired, the Company estimates the investment's fair value in accordance with the principles of ASC 820. If the fair value is less than the investment's carrying value, the Company has to recognize an impairment loss in net income equal to the difference between the carrying value and fair value.

Foreign Currency Translation

The accompanying consolidated financial statements are presented in United States dollar ("$"), which is the reporting currency of the Company. The functional currency of China Customer Relations Centers, Inc. and CBPO is United States dollar. The functional currency of the Company's subsidiary and VIEs located in the PRC is Renminbi ("RMB"). For the subsidiaries whose functional currencies are RMB, results of operations and cash flows are translated at average exchange rates during the period, assets and liabilities are translated at the unified exchange rate at the end of the period, and equity is translated at historical exchange rates. The resulting translation adjustments are included in determining other comprehensive income. Transaction gains and losses are reflected in the consolidated statements of income and comprehensive income. For the years ended December 31, 2018, 2017 and 2016, the Company had gain (loss) of $231,928, ($283,343) and $278,411, respectively, resulting from foreign currency transactions, which was included in other income (other expense) in the consolidated statements of income and comprehensive income.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, "*Revenue from Contracts with Customers (ASC 606)*" and issued subsequent amendments to the initial guidance or implementation guidance between August 2015 and November 2017 within ASU 2015-04, ASU 2016-08, ASU 2016-10, ASU 2016-12, ASU 2016-20, ASU 2017-13, and ASU 2017-14 (collectively, including ASU 2014-09, "ASC 606"). Under ASC 606, revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Effective January 1, 2018, the Company adopted the standard using the modified retrospective method, the adoption of ASC 606 did not have a material impact on our consolidated financial statements. See Note 2 – Revenue Recognition for further details.

In January 2016, the FASB issued ASU No. 2016-01, "*Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*," which improves the recognition and measurement of financial instruments. The new guidance requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income and separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements. The ASU allows a measurement alternative for equity investments without readily determinable fair value and do not qualify for the existing practical expedient in ASC 820, Fair Value Measurements and Disclosures, at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transaction for identical or similar investments of the same issuer, if any.

ASU 2016-01 was further amended in February 2018 by ASU 2018-03, "*Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.*" This update was issued to clarify certain narrow aspects of guidance concerning the recognition of financial assets and liabilities established in ASU 2016-01. This includes an amendment to clarify that an entity measuring an equity security using the measurement alternative may change its measurement approach to a fair valuation method in accordance with Topic 820, Fair Value Measurement, through an irrevocable election that would apply to that security and all identical or similar investments of the same issued.

ASU 2016-01 and 2018-03 are effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company adopted the ASU effective January 1, 2018. The adoption did not have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842)*" and issued subsequent amendments to the initial guidance or implementation guidance including ASU 2017-13, 2018-01, 2018-10, 2018-11, 2018-20 and 2019-01 (collectively, including ASU 2016-02, "ASC 842"). Under ASC 842, lessees will be required to recognize all leases at the commencement date including a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use (ROU) asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

The standard will be effective for the Company beginning January 1, 2019, with early adoption permitted. The Company will adopt the standard on January 1, 2019 on a modified retrospective basis and will not restate comparable periods. The Company will elect the package of practical expedients permitted under the transition guidance, which allows the Company to carry forward the historical lease classification, the assessment whether a contract is or contains a lease and initial direct costs for any leases that exist prior to adoption of the new standard. The Company will also elect the practical expedient not to separate lease and non-lease components for certain classes of underlying assets and the short-term lease exemption for contracts with lease terms of 12 months or less. The Company estimates that approximately $8.7 million would be recognized as total right-of-use assets and total lease liabilities in the consolidated balance sheets as of January 1, 2019. However, the Company does not expect the adoption to have a material impact to the consolidated statements of income and comprehensive income and cash flows.

In November 2016, the FASB issued ASU 2016-18, "*Statement of Cash Flows (ASC 230): Restricted Cash*" update on the presentation of restricted cash in the statement of cash flows. The new guidance requires an entity to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows, and an entity will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. The Company adopted this new accounting standard retrospectively starting January 1, 2018.

As a result of the adoption, net cash provided by investing activities was adjusted to exclude the changes in restricted cash, resulting in an increase of $500,000 in net cash used in investing activities in the previously reported amount for the year ended December 31, 2017. The Company's restricted cash represents cash deposits in escrow account in relation to our IPO commenced in 2015, separately from cash and cash equivalents.

In October 2018, the FASB released ASU No. 2018-17, "*Consolidation ("ASC 810"): Targeted Improvements*" to Related Party Guidance for Variable Interest Entities, which improves the consistency of the application of the variable interest entity related party guidance for common control arrangements. The amendments require reporting entities to consider indirect interests held through related parties under common control on a proportional basis rather than as the equivalent of a direct interest in its entirety (as currently required in GAAP) when determining whether a decision-making fee is a variable interest. ASU 2018-17 will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and early adoption is permitted. The amendments should be applied retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. The Company does not expect that the adoption will have a material impact on our financial condition or results of operations.

C. Research and Development, Patent and Licenses, etc.

Please refer to Item 4 Subparagraph B, "Information on the Company—Business Overview—Research and Development" and "—Intellectual Property Rights."

D. Trend Information.

Based on our experience and observations of the business in which we operate, we believe the following trends are likely to affect our industry and, as a result, our company, if they continue in the future.

- We believe China's major enterprises have begun to focus on BPO providers who can offer fully integrated revenue generation solutions to target new markets and improve revenue and profitability. We believe companies in various industries, including credit card, insurance and logistics enterprises, have been increasingly contacting BPO service providers for their services as a means to increase sales and profitability. In the past, companies of these types typically performed call center services internally. CCRC believes such companies are increasingly outsourcing these functions.

- Having experienced success with outsourcing a portion of their business processes to capable third-party providers, Chinese companies are increasingly inclined to outsource a larger percentage of this work. We have observed this trend among our major customers, the provincial subsidiaries of China Mobile and China Telecom, who have increased outsourcing as a means of meeting internal goals of limiting growth in their own employment. We believe companies will continue to consolidate their business processes with third-party providers, such as Taiying, who are financially stable and able to invest in their business while also demonstrating the ability to cost-effectively meet their evolving needs.

- There is increasing adoption of outsourcing across broader groups of industries. Early adopters of the BPO trend, such as the media and communications industries, are being joined by companies in other industries, including government, automobile, retail, logistics, media, financial services, IT and e-commerce. These companies are beginning to adopt outsourcing to improve their business processes and competitiveness. For example, we see increasing interest in our services from companies in the financial services industries, as evidenced by our recent clients, two of the largest five commercial banks in China. We believe the increasing adoption of outsourcing across broader groups of industries and the number of other industries that will adopt or increase their level of outsourcing will continue to grow, further enabling us to increase and diversify our revenue and client base.

- As companies broaden their product offerings and seek to enter new geographic locations, we believe they will be looking for outsourcing providers that can provide speed-to-market while reducing their capital and operating risk. To achieve these benefits, companies are seeking BPO providers with an extensive operating history, an established geographic footprint, the financial strength to invest in innovations to deliver more strategic capabilities and the ability to scale and meet customer demands quickly. We believe we can quickly implement large, complex business processes around China in a short period of time while assuring a high-quality experience for their customers.

- Our existing clients are large companies with diverse BPO needs, and we plan to continue our strategy of expanding the scale and scope of the services we provide for these large clients. As a full-service provider of voice services such as care, sales, and other back-office functions, we can provide numerous capabilities to our existing client base. We have experienced continued growth from our existing clients, with more services being demanded by our existing clients. We believe our organic growth in Taiying's sales of service to existing clients is likely to continue for the near future.

- While we have our Shandong contact center to cover the services demanded from the northern part of China and the Bohai Bay Economic Rim, we believe that our Chongqing, Hebei, Anhui, Guangxi, Xinjiang, Jiangxi, Jiangsu, Henan Province and Beijing City contact centers has allowed us to expand our geographic reach to other parts of China, particularly the southwest region and the Yangtze River Delta, covering a total of 18 provinces, 2 autonomous regions, and 4 directly-administered municipalities (Beijing, Shanghai, Tianjin, and Chongqing) in China, which have a total population of 1.13 billion. Given our strategic locations and our significant investment in standardized technology and processes, we believe that we can meet our clients' speed-to-market demand of launching new products or entering new geographic locations.

- While we continue to target the significant market opportunity still available in the telecommunications industry, we are focusing on reaching new clients in the financial service and internet commerce industry, which have a large share of the overall outsourced market. We have been actively marketing our services to a wider range of industries, including government, consumer products and logistics entities.

- We believe that competition in the customer care call center BPO market is going to become more intense, and consolidation is going to prevail in the near future. It is possible that competition in the form of new competitors or alliances, joint ventures or consolidation among existing competitors may decrease our market share.

E. Off-Balance Sheet Arrangements.

Under SEC regulations, we are required to disclose off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, such as changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. An off-balance sheet arrangement means a transaction, agreement or contractual arrangement to which any entity that is not consolidated with us is a party, under which we have:

- any obligation under certain guarantee contracts,

- any retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for such assets,

- any obligation under a contract that would be accounted for as a derivative instrument, except that it is both indexed to our stock and classified in shareholder equity in our statement of financial position, and

- any obligation arising out of a material variable interest held by us in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to us, or engages in leasing, hedging or research and development services with us.

We do not have any off-balance sheet arrangements that we are required to disclose pursuant to these regulations. In the ordinary course of business, we enter into operating lease commitments, and other contractual obligations. These transactions are recognized in our financial statements in accordance with generally accepted accounting principles in the United States.

F. Tabular Disclosure of Contractual Obligations.

We have certain potential commitments that include future estimated payments. Changes in our business needs, cancellation provisions, changing interest rates, and other factors may result in actual payments differing from the estimates. We cannot provide certainty regarding the timing and amounts of payments.

The following table summarizes our contractual obligations as of December 31, 2018, and the effect these obligations are expected to have on our liquidity and cash flows in future periods:

Contractual obligations	**Total**	**1 year**	**2-3 years**	**4-5 years**	**thereafter**
Operating leases	$ 9,734,482	$ 3,817,578	$ 3,701,259	$ 1,988,383	$ 227,262
Total	$ 9,734,482	$ 3,817,578	$ 3,701,259	$ 1,988,383	$ 227,262

G. Safe Harbor.

See "Forward-Looking Statements."

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management.

MANAGEMENT

The following table sets forth our executive officers and directors, their ages and the positions held by them:

Name	Age	Position	Appointed
Gary Wang(1) (2)	51	Chief Executive Officer, Chairman of the Board and Director	2014
David Wang(1) (2)	48	Chief Financial Officer, Director	2014
Guoan Xu(1) (2)	43	Vice President, Director	2014
Tao Bai	42	Vice President	2017
Tianjun Zhang(1) (4) (5) (6) (7)	47	Director	2015
Weixin Wang(1) (3) (6) (7)	49	Director	2014
Jie Xu(1) (4) (5)	47	Director	2014
Owens Meng(1) (3) (5) (6) (7)	41	Director	2014

(1) The individual's business address is c/o Taiying, 1366 Zhongtianmen Dajie, Xinghuo Science and Technology Park, High-tech Zone, Taian City, Shandong Province, People's Republic of China 271000.

(2) Class III director whose term expires at the 2019 annual meeting of shareholders.

(3) Class II director whose term expires at the 2021 annual meeting of shareholders.

(4) Class I director whose term expires at the 2020 annual meeting of shareholders.

(5) Member of audit committee.

(6) Member of compensation committee.

(7) Member of nominating committee.

Gary Wang. Mr. Wang has served as the Chief Executive Officer and Chairman of CCRC since September 2014. Mr. Wang co-founded Taiying in 2007 and has served as Taiying's Chief Executive Officer since December 2007. From 2004 through 2007, Mr. Wang was the Chief Executive Officer of Shandong Luk Information Technology Co. Ltd, a call center company based in Shandong Province. Mr. Wang received his MBA from the Hong Kong Polytechnic University, and a bachelor's degree in finance from Shandong University of Finance. Mr. Wang was nominated as a director because he has 15 years of experience serving in executive positions at companies exclusively operating in the call center industry and has extensive knowledge, experience and relationships in China's BPO industry.

David Wang. Mr. Wang has served as the Chief Financial Officer and Vice Chairman of CCRC since September 2014. Mr. Wang co-founded Taiying in 2007 and has served as Taiying's Executive Vice President and Chief Financial Officer since April 2008. From January 2006 through March 2008, Mr. Wang served as Executive Vice President of Fountain Investments Limited, an investment advisory firm based in Shandong Province. From 2003 through 2005, Mr. Wang was Assistant to the President of Tianqin Securities Limited, a full-service investment banking and brokerage firm based in Shandong Province. Mr. Wang holds a bachelor's degree in computer science from Shandong University, and is currently studying for the FMBA program at China Europe International Business School (CEIBS). Mr. Wang was nominated as a director because of his extensive operating and financial knowledge of the company as a long-term executive, which gives him detailed understanding of the complexities of our operations.

Guoan Xu. Mr. Xu has served as Vice President and Director of CCRC since September 2014. Mr. Xu has served as director and vice president of Taiying since 2014. Between 2008 and 2013, Mr. Xu served as a consultant and independent director of Taiying. Mr. Xu holds an associate bachelor's degree in politics and public relations from Shandong University. Mr. Xu was nominated as a director because of his extensive operating and public relation experience.

Tao Bai. Mr. Bai joined Taiying in 2015 as the manager and has served as Vice President of CCRC since 2017 with his focus on sales and marketing for the company. Prior to joining the company, Mr. Bai was the Vice President of YonyouTelecom from 2013 to 2015. Between 2002 and 2013, Mr. Bai worked for China Mobile Beijing Branch as a manager specializing in call center management, marketing, and human resources. Mr. Bai holds a master degree in automation from Tsinghua University.

Tianjun Zhang. Mr. Zhang has served as an independent director of CCRC since October 2015. Since February 2014, Mr. Zhang has been the vice president of Jinan Zhongwei Century Technology Co., Ltd. between February 2011 and February 2014, Mr. Zhang was a director of Sinopec Ningxia Branch. Between November 2009 and February 2011, Mr. Zhang was a vice president of Star Media Tanzania Co., Ltd. between December 2001 and November 2009, Mr. Zhang was the general manager of Shandong branch of CITIC Application Service Provider Co., Ltd. Mr. Zhang received both his MBA and bachelor degree in computer science from Shandong University. Mr. Zhang was nominated as a director because of his experience in management.

Weixin Wang. Mr. Wang has served as an independent director of CCRC since September 2014. Since 2013, Mr. Wang has been the vice chairman of Jiangsu Sailian Information Industry Research Institute. Between 2006 and 2013, Mr. Wang was the director of Software and Integrated Circuit Promotion Center within the Strategy Consulting Department of Ministry and Information Technology. Between 2004 and 2006, Mr. Wang was an associate researcher of China Institute of Science. Mr. Wang holds a doctorate degree in engineering from the China Academy of Agricultural Mechanization Sciences (CAAMS). Mr. Wang was nominated as a director because of his research and development experience in information and technology.

Jie Xu. Mr. Xu has served as an independent director of CCRC since September 2014. Since June 2015, Mr. Xu has been the Chief investment officer of Shandong Juneng Investment Co., Ltd, an affiliated company of Shandong State-Owned Assets Investment Holdings, Co., Ltd. Between September 2012 and May 2015, Mr. Xu was the general manager of the asset management department of Luzheng Futures Stock Co., Ltd. Between 2008 and 2012, Mr. Xu was the senior manager of Qilu Securities (Beijing) Asset Management Company, a division of Qilu Securities Co., Ltd., as full-service brokerage and investment banking firm. Between 2006 and 2007, Mr. Xu was an investment relation manager for Shandong Tianye Hengji Stock Company Limited. Between 2002 and 2006, Mr. Xu was assistant vice president of the securities investment department of General Investment Management co., Ltd. Mr. Xu holds a bachelor degree in finance from Shandong Economic University. Mr. Xu was nominated as a director because of his experience in capital markets and finance.

Owens Meng. Mr. Meng has served as an independent director of CCRC since September 2014. Mr. Meng is a certified public accountant in Delaware. Since 2013, Mr. Meng has been the managing director of Beijing Songlin Xinya Financial Consultants, Ltd. Between 2007 and 2013, Mr. Meng served as chief representative of Sherb Consulting LLC Beijing Representative Office, and managing director of Sherb & Co, LLP, a mid-sized accounting firm which has audited more than 25 China-based, US publicly traded companies. Between 2003 and 2006, Mr. Meng worked as an audit manager for Grant Thornton Beijing. Mr. Meng is a member of China Institute of Certified Public Accountants (CICPA), and a Certified Internal Auditor (CIA) of the Institute of Internal Auditors. Mr. Meng has also served as an independent director of TDH Holdings, Inc. since February 2019. Mr. Meng holds a bachelor degree in accounting and economics from Beijing Technology and Business University. Mr. Meng was nominated as a director because of his experience in auditing, US GAAP and with United States compliance issues.

There are no family relations among any of our officers or directors. There are no other arrangements or understandings pursuant to which our directors are selected or nominated.

B. ***Compensation.***

Executive Compensation

Our compensation committee approves our salary and benefit policies. Before our initial public offering, our board of directors determined the compensation to be paid to our executive officers based on our financial and operating performance and prospects, and contributions made by the officers to our success. Each of the named officers are measured by a series of performance criteria by the board of directors, or the compensation committee on a yearly basis. Such criteria are set forth based on certain objective parameters such as job characteristics, required professionalism, management skills, interpersonal skills, related experience, personal performance and overall corporate performance.

In 2018, we paid an aggregate of approximately $1,532,973 U.S. dollars in cash as salaries bonuses and fees to our senior executives and officers named in this annual report. Other than salaries, fees and share incentives, we do not otherwise provide pension, retirement or similar benefits to our officers and directors.

Director Compensation

All directors hold office until the next annual meeting of shareholders at which their respective class of directors is re-elected and until their successors have been duly elected and qualified. There are no family relationships among our directors or executive officers. Officers are elected by and serve at the discretion of the Board of Directors. Employee directors do not receive any compensation for their services. Independent directors are entitled to receive $20,000 per year for serving as directors and may receive stock, option or other equity-based incentives to our directors for their service. The following table presents information regarding the compensation of our independent directors for fiscal 2018. Compensation for our Chief Executive Officer, Gary Wang, Chief Financial Officer, David Wang and Guoan Xu are Vice President is reflected above in the Summary Compensation Table rather than below.

Summary Director Compensation Table FY 2018

Name	Director fees earned or paid in cash	Other Compensation	Total ($)
Weixin Wang	$ 20,000	$ 0	$ 20,000
Jie Xu	20,000	0	20,000
Tianjun Zhang	20,000	0	20,000
Owens Meng	20,000	0	20,000

C. ***Board Practices.***

See information provided in response to Item 6.A. above as to the current directors.

Composition of Board

Our board of directors currently consists of seven directors. There are no family relationships between any of our executive officers and directors.

The directors are divided into three classes, as nearly equal in number as the then total number of directors permits. Class I directors shall face re-election at our annual general meeting of shareholders in 2020 and every three years thereafter. Class II directors shall face re-election at our annual general meeting of shareholders in 2021 and every three years thereafter. Class III directors shall face re-election at our annual general meeting of shareholders in 2019 and every three years thereafter.

If the number of directors changes, any increase or decrease will be apportioned among the classes so as to maintain the number of directors in each class as nearly as possible. Any additional director of a class elected to fill a vacancy resulting from an increase in such class will hold office for a term that coincides with the remaining term of that class. Decreases in the number of directors will not shorten the term of any incumbent director. These board provisions could make it more difficult for third parties to gain control of our company by making it difficult to replace members of the Board of Directors.

A director may vote in respect of any contract or transaction in which he is interested, provided, however that the nature of the interest of any director in any such contract or transaction shall be disclosed by him at or prior to its consideration and any vote on that matter. A general notice or disclosure to the directors or otherwise contained in the minutes of a meeting or a written resolution of the directors or any committee thereof of the nature of a director's interest shall be sufficient disclosure and after such general notice it shall not be necessary to give special notice relating to any particular transaction. A director may be counted for a quorum upon a motion in respect of any contract or arrangement which he shall make with our company, or in which he is so interested and may vote on such motion. There are no membership qualifications for directors. Further, there are no share ownership qualifications for directors unless so fixed by us in a general meeting.

The Board of Directors maintains a majority of independent directors who are deemed to be independent under the definition of independence provided by NASDAQ Stock Market Rule 4200(a)(15). Messrs. Weixin Wang, Jie Xu, Tianjun Zhang and Owens Meng are our independent directors.

There are no other arrangements or understandings pursuant to which our directors are selected or nominated.

Our Board of Directors plays a significant role in our risk oversight. The Board of Directors makes all relevant company decisions. As such, it is important for us to have both our Chief Executive Officer and Chief Financial Officer serve on the Board as they play key roles in the risk oversight or the company. As a smaller reporting company with a small board of directors, we believe it is appropriate to have the involvement and input of all of our directors in risk oversight matters.

Board Committees

Currently, three committees have been established under the board: the audit committee, the compensation committee and the nominating committee. The audit committee is responsible for overseeing the accounting and financial reporting processes of our company and audits of the financial statements of our company, including the appointment, compensation and oversight of the work of our independent auditors. The compensation committee of the board of directors reviews and makes recommendations to the board regarding our compensation policies for our officers and all forms of compensation, and also administers our incentive compensation plans and equity-based plans (but our board retains the authority to interpret those plans). The nominating committee of the board of directors is responsible for the assessment of the performance of the board, considering and making recommendations to the board with respect to the nominations or elections of directors and other governance issues. The nominating committee considers diversity of opinion and experience when nominating directors.

Tianjun Zhang and Owens Meng serve on all three committees. Weixin Wang serves on the nominating and compensation committees. Jie Xu serves on the audit committee. At this time, Weixin Wang chairs the nominating committee; Owens Meng chairs the audit committee; and Tianjun Zhang chairs the compensation committee. Owens Meng qualifies as an "audit committee financial expert" as that term is defined by the applicable SEC regulations and Nasdaq Capital Market corporate governance requirements.

Duties of Directors

Under British Virgin Islands law, our directors have a duty to act honestly, in good faith and with a view to our best interests. Our directors also have a duty to exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association. We have the right to seek damages if a duty owed by our directors is breached.

The functions and powers of our board of directors include, among others:

- appointing officers and determining the term of office of the officers;
- authorizing the payment of donations to religious, charitable, public or other bodies, clubs, funds or associations as deemed advisable;
- exercising the borrowing powers of the company and mortgaging the property of the company;
- executing checks, promissory notes and other negotiable instruments on behalf of the company; and
- maintaining or registering a register of mortgages, charges or other encumbrances of the company.

Interested Transactions

A director may vote, attend a board meeting or sign a document on our behalf with respect to any contract or transaction in which he or she is interested. A director must promptly disclose the interest to all other directors after becoming aware of the fact that he or she is interested in a transaction we have entered into or are to enter into. A general notice or disclosure to the board or otherwise contained in the minutes of a meeting or a written resolution of the board or any committee of the board that a director is a shareholder, director, officer or trustee of any specified firm or company and is to be regarded as interested in any transaction with such firm or company will be sufficient disclosure, and, after such general notice, it will not be necessary to give special notice relating to any particular transaction.

Remuneration and Borrowing

The directors may receive such remuneration as our board of directors may determine from time to time. Each director is entitled to be repaid or prepaid for all traveling, hotel and incidental expenses reasonably incurred or expected to be incurred in attending meetings of our board of directors or committees of our board of directors or shareholder meetings or otherwise in connection with the discharge of his or her duties as a director. The compensation committee will assist the directors in reviewing and approving the compensation structure for the directors.

Our board of directors may exercise all the powers of the Company to borrow money and to mortgage or charge our undertakings and property or any part thereof, to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of the Company or of any third party.

Qualification

A director is not required to hold shares as a qualification to office.

Limitation on Liability and Other Indemnification Matters

Under British Virgin Islands law, each of our directors and officers, in performing his or her functions, is required to act honestly and in good faith with a view to our best interests and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. British Virgin Islands law does not limit the extent to which a company’s memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the British Virgin Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime.

Under our memorandum and articles of association, we may indemnify our directors, officers and liquidators against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred in connection with civil, criminal, administrative or investigative proceedings to which they are party or are threatened to be made a party by reason of their acting as our director, officer or liquidator. To be entitled to indemnification, these persons must have acted honestly and in good faith with a view to the best interest of the Company and, in the case of criminal proceedings, they must have had no reasonable cause to believe their conduct was unlawful. Such limitation of liability does not affect the availability of equitable remedies such as injunctive relief or rescission. These provisions will not limit the liability of directors under United States federal securities laws.

We may indemnify any of our directors or anyone serving at our request as a director of another entity against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred in connection with legal, administrative or investigative proceedings. We may only indemnify a director if he or she acted honestly and in good faith with the view to our best interests and, in the case of criminal proceedings, the director had no reasonable cause to believe that his or her conduct was unlawful. The decision of our board of directors as to whether the director acted honestly and in good faith with a view to our best interests and as to whether the director had no reasonable cause to believe that his or her conduct was unlawful, is in the absence of fraud sufficient for the purposes of indemnification, unless a question of law is involved. The termination of any proceedings by any judgment, order, settlement, conviction or the entry of no plea does not, by itself, create a presumption that a director did not act honestly and in good faith and with a view to our best interests or that the director had reasonable cause to believe that his or her conduct was unlawful. If a director to be indemnified has been successful in defense of any proceedings referred to above, the director is entitled to be indemnified against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred by the director or officer in connection with the proceedings.

We may purchase and maintain insurance in relation to any of our directors or officers against any liability asserted against the directors or officers and incurred by the directors or officers in that capacity, whether or not we have or would have had the power to indemnify the directors or officers against the liability as provided in our memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted for our directors or officers under the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable as a matter of United States law.

D. ***Employees.***

Our Employees

As of December 31, 2018, we had approximately 11,101 full-time employees and approximately 3,135 part-time employees and interns. Our senior management and many of our employees have had prior experience in the call center industry.

We devote significant resources to recruiting and training our call center associates. We target and select high-caliber employees through a rigorous screening and testing process. After we hire an employee, we make significant investments in foundation training, client-specific training and ongoing instruction and coaching. We emphasize small teams, which facilitates significant time for evaluation and coaching of our customer service associates by our team leaders and quality personnel.

Our culture is metric-driven and performance-based. We employ a scorecard system for substantially all of our employees that define specific goals to provide clarity of purpose and to enable objective weekly, monthly and quarterly performance evaluations. We believe that this system, which is linked with a compensation structure that is heavily weighted with performance-based incentives, helps our managers identify and coach low performers, reward high performers and ultimately achieve high levels of quality for our clients.

Most of our senior management and technical employees are well-educated Chinese professionals with substantial experience in call center management and call center system integration and application software development. We believe that attracting and retaining highly experienced call center associates and sales and marketing personnel is a key to our success. In addition, we believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations. Our employees are not represented through any collective bargaining agreements or by labor unions.

Employment Agreements

Under Chinese laws, there are some situations where we can terminate employment agreements without paying economic compensation, such as the employer maintains or raises the employment conditions but the employee refuses to accept the new employment agreement, when the employment agreement is scheduled to expire, the employee is retired in accordance with laws or the employee is dead, declared dead or has disappeared. For termination of employment in absence of legal cause we are obligated to pay the employee two-month's salary for each year we have employed the employee. We are, however, permitted to terminate an employee for cause without paying economic compensation, such as when the employee has committed a crime, being proved unqualified for recruitment during the probation period, seriously violating the rules and regulations of the employer, or the employee's actions or inactions have resulted in a material adverse effect to us.

Our employment agreements with our executive officers generally provide for a term of three years, provided that either party may terminate the agreement on 60 days notice and a salary to be paid monthly, subject to certain limitations. The agreements also provide that the executive officers are to work an average of 40 hours per week and are entitled to all legal holidays as well as other paid leave in accordance with Chinese laws and regulations and our internal work policies. Under such agreements, our executive officers may be terminated for cause without further compensation. During the agreement and for three years afterward, our executive officers are required to keep trade secrets confidential.

The contracts that we have entered into with executive officers include the following:

Gary Wang

We entered into an employment agreement with Mr. Wang, effective March 1, 2017, providing for Mr. Wang to serve as the Company's Chief Executive Officer. Under the terms of Mr. Wang's employment agreement, Mr. Wang is, among other matters, to take overall responsibility for the operational management and financial management of the Company in compliance with all applicable laws and devote a minimum of forty hours per week to our business and affairs and in return will be entitled to the following:

- Annual compensation of RMB1,800,000 (approximately $277,000); and
- Reimbursement of reasonable expenses.

Mr. Wang will be eligible to receive an annual bonus with a target payout up to 150% of his base salary, subject to achieving Company and individual performance goals established by the Company's Compensation Committee. Mr. Wang's employment agreement is for an initial term of thirty-six months, renewable for an additional twenty-four months unless either party terminates it in writing at least sixty days before the expiration of the initial term.

Additionally, Mr. Wang's employment agreement provides for confidentiality and nondisclosure provisions, whereby Mr. Wang is required to keep trade secrets confidential during the course of his employment and for a period of thirty-six months following the termination of his employment. His employment contract also contains a non-compete clause for a duration of twenty-four months following his employment.

David Wang

We entered into an employment agreement with Mr. Wang, effective March 1, 2017, providing for Mr. Wang to serve as our Chief Financial Officer. Under the terms of Mr. Wang's employment agreement, Mr. Wang is, among other matters, to oversee all financial and operational controls and metrics within the organization in accordance with industry rules and devote a minimum of forty hours per week to our business and affairs and in return will be entitled to the following:

- Annual compensation of RMB1,200,000 (approximately $185,000); and
- Reimbursement of reasonable expenses.

Mr. Wang will be eligible to receive an annual bonus with a target payout up to 150% of his base salary, subject to achieving Company and individual performance goals established by the Company's Compensation Committee. Mr. Wang's employment agreement is for an initial term of thirty-six months, renewable for an additional twenty-four months unless either party terminates it in writing at least sixty days before the expiration of the initial term.

Additionally, Mr. Wang's employment agreement provides for confidentiality and nondisclosure provisions, whereby Mr. Wang is required to keep trade secrets confidential during the course of his employment and for a period of thirty-six months following the termination of his employment. His employment contract also contains a non-compete clause for a duration of twenty-four months following his employment.

Guoan Xu

We entered into an employment agreement with Mr. Xu, through Taiying, effective March 1, 2017, providing for Mr. Xu to serve as our Vice President. Under the terms of Mr. Xu's employment agreement, Mr. Xu is, among other matters, to take respective responsibility for the operation and management of us in accordance with industry rules and devote a minimum of forty hours per week to our business and affairs and in return will be entitled to the following:

- Annual compensation of RMB1,080,000 (approximately $166,000); and
- Reimbursement of reasonable expenses.

Mr. Xu will be eligible to receive an annual bonus with a target payout up to 150% of his base salary, subject to achieving Company and individual performance goals established by the Company's Compensation Committee. Mr. Xu's employment agreement is for an initial term of thirty-six months, renewable for an additional twenty-four months unless either party terminates it in writing at least sixty days before the expiration of the initial term.

Additionally, Mr. Xu's employment agreement provides for confidentiality and nondisclosure provisions, whereby Mr. Xu is required to keep trade secrets confidential during the course of his employment and for a period of thirty-six months following the termination of his employment. His employment contract also contains a non-compete clause for a duration of twenty-four months following his employment.

Tao Bai

We entered into an employment agreement with Mr. Bai, effective March 1, 2017, providing for Mr. Bai to serve as our Vice President. Under the terms of Mr. Bai's employment agreement, Mr. Bai is, among other matters, act as our Vice President in accordance with industry rules and devote a minimum of forty hours per week to our business and affairs and in return will be entitled to the following:

- Annual compensation of RMB1,080,000 (approximately $166,000); and
- Reimbursement of reasonable expenses.

Mr. Bai will be eligible to receive an annual bonus with a target payout up to 150% of his base salary, subject to achieving Company and individual performance goals established by the Company's Compensation Committee. Mr. Bai's employment agreement is for an initial term of thirty-six months, renewable for an additional twenty-four months unless either party terminates it in writing at least sixty days before the expiration of the initial term.

Additionally, Mr. Bai's employment agreement provides for confidentiality and nondisclosure provisions, whereby Mr. Bai is required to keep trade secrets confidential during the course of his employment and for a period of thirty-six months following the termination of his employment. His employment contract also contains a non-compete clause for a duration of twenty-four months following his employment.

E. ***Share Ownership.***

The following tables set forth certain information with respect to the beneficial ownership of our common shares as of April 26, 2019, for:

- each of our directors and named executive officers; and
- all of our directors and executive officers as a group.

We have determined beneficial ownership in accordance with the rules of the SEC. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons and entities named in the table below have sole voting and investment power or the power to receive the economic benefit with respect to all common shares that they beneficially own, subject to applicable community property laws.

Applicable percentage ownership is based on 18,329,600 common shares outstanding at April 26, 2019. Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o China Customer Relations Centers, Inc., 1366 Zhongtianmen Dajie, Xinghuo Science and Technology Park, High-tech Zone, Taian City, Shandong Province, People's Republic of China 271000.

	Beneficial Ownership (1)	
Name of Beneficial Owner	**Common Shares**	**Percentage**
Gary Wang (2) (5)	3,958,763	21.6%
David Wang (3) (5)	1,069,936	5.8%
Guoan Xu (4) (5)	122,400	*
Tao Bai (4)	0	0
Weixin Wang (5)	0	0
Jie Xu (5)	0	0
Tianjun Zhang (5)	0	0
Owens Meng (5)	0	0
All directors and executive officers as a group	**5,151,099**	**28.1%**

* Less than 1%.

(1) Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the common shares or the power to receive the economic benefit of the common shares.

(2) Chairman and Chief Executive Officer

(3) Chief Financial Officer

(4) Vice President

(5) Director

2018 Share Incentive Plan

On August 11, 2018, the Company's shareholders approved the 2018 Share Incentive Plan (the "2018 Incentive Plan"). The 2018 Incentive Plan allows for issuance of up to 2,000,000 shares of the Company's Common Shares to employees, non-employee directors, officers and consultants for services rendered to the Company.

As of the current date, there are 2,000,000 shares available for issuance under the 2018 Incentive Plan.

Item 7. Major Shareholders and Related Party Transactions

A. ***Major Shareholders.***

The following tables set forth certain information with respect to the beneficial ownership of our common shares as of April 26, 2019, for:

- each shareholder known by us to be the beneficial owner of more than 5% of our outstanding common shares.

We have determined beneficial ownership in accordance with the rules of the SEC. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons and entities named in the table below have sole voting and investment power or the power to receive the economic benefit with respect to all common shares that they beneficially own, subject to applicable community property laws.

Applicable percentage ownership is based on 18,329,600 common shares outstanding at April 26, 2019. Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o China Customer Relations Centers, Inc., 1366 Zhongtianmen Dajie, Xinghuo Science and Technology Park, High-tech Zone, Taian City, Shandong Province, People's Republic of China 271000.

Name of Beneficial Owner	Beneficial Ownership (1)	
	Common Shares	Percentage
Qingmao Zhang	1,174,000	6.4%
5% or greater beneficial owners as a group	**1,174,000**	**6.4%**

(1) Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the common shares or the power to receive the economic benefit of the common shares.

B. *Related Party Transactions.*

The related parties had transactions for the years ended December 31, 2018, 2017 and 2016 consist of the following:

Name of Related Party	Nature of Relationship
Guoan Xu	Shareholder, Director and Vice President
Beijing Taiying Anrui Holding Co., Ltd. ("Beijing Taiying")	Sole Shareholder
Shandong Luk Information Technology Co., Ltd. ("Shandong Luk")	Controlled by the brother of Gary Wang
Chongqing Shenggu Human Resources Co., Ltd. ("CSHR")	Controlled by Beijing Taiying
Chongqing Taiying Shiye Development Co., Ltd. ("Shiye")	David Wang being a 5% shareholder
Beijing Jiate Information Technology Co., Ltd. ("Jiate")	Noncontrolling shareholder of HTCC
Jiangsu Sound Valley Human Resource Management Co., Ltd. ("JSVH")	Controlled by Gary Wang
Jinan Shenggu Human Resources Management Co., Ltd. ("JSHR")	Controlled by Gary Wang
Beijing Shenggu Education Investment Co., Ltd. ("BSEI")	Controlled by Gary Wang
Tai'an Taiying Wealth and Equity Investment and Management Co., Ltd. ("TWIC")	David Wang being the legal person of TWIC

Notes receivable from related party

As of December 31, 2017, the Company had receivables from Shiye in the amount of $968,277, which was presented as notes receivable – related party in the consolidated balance sheets. On April 10, 2018, the Company and Shiye entered into an agreement, pursuant to which Shiye agreed to settle the remaining outstanding balance due to the Company before December 31, 2018. The Company has not received the payment and decided to reserve an allowance for all the outstanding balance from Shiye as the Company does not expect to collect from Shiye within a reasonable period of time.

Investment in related party company

On September 13, 2018, the Company invested in TWIC in the amount of RMB10,000, or $1,461. TWIC was established on March 9, 2018 by David Wang. As of the filing date, TWIC has not conducted any operations.

As of December 31, 2018, the balance of equity investment in TWIC was included in equity investments in the consolidated balance sheets.

Revenues from related party

The Company was the subcontractor of Shandong Luk. The Company did not generate any related party revenues from Shandong Luk for the years ended December 31, 2018, 2017, and 2016. During the year ended December 31, 2016, the Company decided to reserve an allowance for all outstanding receivable balance from Shandong Luk as the Company does not expect to collect from Shandong Luk within a reasonable period of time.

Services provided by related parties

The Company subcontracted projects to Shandong Luk and Shandong Luk provided services in the amount of $0, $67,440, and $485,304 for the years ended December 31, 2018, 2017, and 2016, respectively, which were included in the cost of revenues. The Company does not have any outstanding balance owed to Shandong Luk as of December 31, 2018 and 2017.

BSEI leased certain office space at Zaozhuang Software and Service Industrial Park with a total area of 18,000 square meters, of which 6,500 square meters was subleased to ZSEC at a price of RMB0.5 per square meter per day, from July 1, 2018 to January 1, 2021. Lease expense incurred for the BSEI lease for the year ended December 31, 2018 was $88,441. As of December 31, 2018, the balance of lease payables to BSEI was $0.

Jiate acts as an intermediary agent and receives commission for referring customers to HTCC. Jiate charged the Company $121,397, $193,142 and $188,319 for the customers it referred to the Company during the years ended December 31, 2018, 2017 and 2016, which was included in selling, general and administrative expenses. As of December 31, 2018 and 2017, the balance owed to Jiate was $55,339 and $46,661, respectively.

JSVH, JSHR and Beijing Taiying provided service to the Company in the amount of $553,305, $35,089, and $0, respectively, during the year ended December 31, 2018, and $42,060, $0, and $108,453, respectively, during the year ended December 31, 2017. The expense from which were included in selling, general and administrative expenses. As of December 31, 2018 and 2017, the collective balance owed to JSVH, JSHR and Beijing Taiying was $106,773 and $0, respectively.

Prepayment made to related party

In the year ended December 31, 2018, the Company advanced Beijing Taiying $95,244, representing prepayment for future services. As of December 31, 2018 and 2017, the balance of prepayment to related party was $91,618 and $0, respectively.

Due from related party

Due from related party represents non-secured, interest free, short-term loan CSHR obtained from the Company, which was due on demand. As of December 31, 2018 and 2017, the balance of due from related party was $199,994 and $219,051, respectively.

Subsequent to year end, CSHR repaid approximately $45,000 of the outstanding balance.

Due to related parties

For the years ended December 31, 2018, 2017, and 2016, Guoan Xu paid expenses on behalf of the Company in the amount of $0, $0, and $1,746, respectively, and the Company made repayment to Guoan Xu in the amount of $0, $1,717, and $0, respectively. As of December 2018 and 2017, the balance owed to Guoan Xu was $0.

For the years ended December 31, 2018, 2017, and 2016, the Company purchased property and equipment through Jiate in the amount of $0, $15,539, and $238,353, respectively, The Company made payment to Jiate in the amount of $0, $472,197, and $0 during the years ended December 31, 2018, 2017, and 2016, respectively.

C. ***Interests of experts and counsel.***

Not applicable for annual reports on Form 20-F.

Item 8. Financial Information

A. ***Consolidated Statements and Other Financial Information.***

See information provided in response to Item 18 below.

Legal and Administrative Proceedings

We are currently not a party to any material legal or administrative proceedings and are not aware of any pending or threatened material legal or administrative proceedings against us. We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business.

Dividend Policy

The holders of shares of our common shares are entitled to dividends out of funds legally available when and as declared by our board of directors. Our board of directors has never declared a dividend and does not anticipate declaring a dividend in the foreseeable future. Should we decide in the future to pay dividends, as a holding company, our ability to do so and meet other obligations depends upon the receipt of dividends or other payments from our operating subsidiary and other holdings and investments. In addition, the Operating Companies may, from time to time, 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. In the event of our liquidation, dissolution or winding up, holders of our common shares are entitled to receive, ratably, the net assets available to shareholders after payment of all creditors.

B. ***Significant Changes.***

We have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

Item 9. The Offer and Listing

A. ***Offer and listing details*****.**

Our common shares have been listed on the NASDAQ Capital Market since December 21, 2015 under the symbol "CCRC."

B. ***Plan of distribution.***

Not applicable for annual reports on Form 20-F.

C. ***Markets.***

Our common shares have been listed on the NASDAQ Capital Market since December 21, 2015 under the symbol "CCRC."

D. ***Selling shareholders.***

Not applicable for annual reports on Form 20-F.

E. ***Dilution.***

Not applicable for annual reports on Form 20-F.

F. ***Expense and issue.***

Not applicable for annual reports on Form 20-F.

Item 10. Additional Information

A. ***Share Capital.***

Not applicable for annual reports on Form 20-F.

B. ***Memorandum and Articles of Association.***

We incorporate by reference the description of our Memorandum and Articles of Association, as currently in effect in the British Virgin Islands, set forth in our registration statement on Form F-1, declared effective on December 9, 2015 (File No. 333-199306).

C. ***Material Contracts.***

Other than described elsewhere in this annual report, we did not have any other material contracts.

D. ***Exchange Controls.***

Foreign Currency Exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations (1996), as amended on August 5, 2008, the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996) and the Interim Measures on Administration on Foreign Debts (2003). Under these regulations, Renminbi are freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for most capital account items, such as direct investment, loans, repatriation of investment and investment in securities outside China, unless the prior approval of competent authorities (if required) and registration with SAFE or its local counterparts are obtained. In addition, any loans to an operating subsidiary in China that is a foreign invested enterprise, cannot, in the aggregate, exceed the difference between its respective approved total investment amount and its respective approved registered capital amount. Furthermore, any foreign loan must be registered with SAFE or its local counterparts for the loan to be effective. Any increase in the amount of the total investment and registered capital must be approved by the PRC Ministry of Commerce or authorized provincial or same level government. We may not be able to obtain these government approvals or registrations on a timely basis, if at all, which could result in a delay in the process of making these loans.

The dividends paid by the subsidiary to its shareholder are deemed shareholder income and are taxable in China. Pursuant to the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996), foreign-invested enterprises in China may purchase or remit foreign exchange, subject to a cap approved by SAFE, for settlement of current account transactions without the approval of SAFE. Foreign exchange transactions under the capital account are still subject to limitations and require approvals from, or registration with, SAFE and other relevant PRC governmental authorities.

Circular 37

On July 4, 2014, SAFE issued Circular 37, which became effective as of July 4, 2014. According to Circular 37, PRC residents shall apply to SAFE and its branches for going through the procedures for foreign exchange registration of overseas investments before contributing the domestic or offshore assets or interests to a SPV. An amendment to registration or filing with the local SAFE branch by such PRC resident is also required if the registered overseas SPV’s basic information such as domestic individual resident shareholder, name, operating period, or major events such as domestic individual resident capital increase, capital reduction, share transfer or exchange, merger or division has changed. Although the change of overseas funds raised by overseas SPV, overseas investment exercised by overseas SPV and non-cross-border capital flow are not included in Circular 37, we may be required to make foreign exchange registration if required by SAFE and its branches.

Moreover, Circular 37 applies retroactively. As a result, PRC residents who have contributed domestic assets or interests to a SPV, but failed to complete foreign exchange registration of overseas investments as required prior to implementation of Circular 37, are required to send a letter to SAFE and its branches for explanation. Under the relevant rules, failure to comply with the registration procedures set forth in Circular 37 may result in receiving a warning from SAFE and its branches, and may result in a fine of up to RMB 300,000 for an organization or up to RMB 50,000 for an individual. In the event of failing to register, if capital outflow occurred, a fine up to 30% of the illegal amount may be assessed.

PRC residents who control our company are required to register with SAFE in connection with their investments in us. If we use our equity interest to purchase the assets or equity interest of a PRC company owned by PRC residents in the future, such PRC residents will be subject to the registration procedures described in Circular 37.

Circular 19 & Circular 16. On March 30, 2015, SAFE issued the Circular Concerning the Reform of the Administration of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or Circular 19, which became effective on June 1, 2015. Circular 19 regulates the conversion of foreign currency capital funds into RMB by a foreign-invested enterprise, and limits how the converted RMB may be used.

Furthermore, SAFE promulgated a circular on June 9, 2016, Circular on Reforming and Regulating Policies on the Administration over Foreign Exchange Settlement under Capital Accounts, or Circular 16, which further revises several clauses in Circular 19. Both Circular 19 and Circular 16 regulate that foreign exchange incomes of a domestic enterprise under their capital account shall not be used in the ways stated below:

- For expenditures that are forbidden by relevant laws and regulations, or for purposes which are not included in the business scope approved by relevant government authority;
- For direct or indirect securities investments within China, or for any other kinds of investments except banks' principal-guaranteed wealth-management products, unless otherwise prescribed by other laws and regulations;
- For issuing RMB entrusted loans directly or indirectly (except those included in the business scope), or for repaying inter-enterprise loans (including advances by the third party), or for repaying bank loans which has been on-lent to third parties;
- For issuing RMB loans to non-affiliated enterprises, unless expressly permitted in the business scope;
- For purchasing or constructing real estate which is not for personal use, in addition to those real estate enterprises.

In addition, SAFE supervises the flow and use of those RMB capital converted from foreign currency capital funds of a foreign-invested company by further focusing on ex post facto supervisions and violations, and the use the net proceeds from our initial public to invest in or acquire any other Chinese companies in China is subject to the provisions under both Circular 19 and Circular 16.

Regulations on Offshore Parent Holding Companies' Direct Investment in and Loans to Their PRC Subsidiaries

An offshore company may invest equity in a PRC company, which will become the PRC subsidiary of the offshore holding company after investment. Such equity investment is subject to a series of laws and regulations generally applicable to any foreign-invested enterprise in China, which include the Wholly Foreign Owned Enterprise Law, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Contractual Joint Venture Enterprise Law, all as amended from time to time, and their respective implementing rules; the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors; and the Notice of the State Administration on Foreign Exchange on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment.

Under the aforesaid laws and regulations, the increase of the registered capital of a foreign-invested enterprise is subject to the prior approval by the original approval authority of its establishment. In addition, the increase of registered capital and total investment amount shall be registered with Ministry of Commerce (or authorized provincial or same level government), SAIC and SAFE.

Shareholder loans made by offshore parent holding companies to their PRC subsidiaries are regarded as foreign debts in China for regulatory purpose, which is subject to a number of PRC laws and regulations, including the PRC Foreign Exchange Administration Regulations, the Interim Measures on Administration on Foreign Debts, the Tentative Provisions on the Statistics Monitoring of Foreign Debts and its implementation rules, and the Administration Rules on the Settlement, Sale and Payment of Foreign Exchange.

Under these regulations, the shareholder loans made by offshore parent holding companies to their PRC subsidiaries shall be registered with SAFE. Furthermore, the total amount of foreign debts that can be borrowed by such PRC subsidiaries, including any shareholder loans, shall not exceed the difference between the total investment amount and the registered capital amount of the PRC subsidiaries, both of which are subject to the governmental approval.

PRC Foreign Investment Law

On March 15, 2019, the National People's Congress of the PRC adopted the FIL, which will become effective on January 1, 2020. The FIL sets forth the principal basic legal framework of foreign investment in the PRC, and once taking effect, will replace the trio of existing laws regulating foreign investment in the PRC, namely, the Wholly Foreign-Invested Enterprises Law, the Law on Sino-Foreign Equity Joint Ventures, and the Law on Sino-Foreign Contractual Joint Ventures, together with their implementation rules and ancillary regulations. Pursuant to the FIL, foreign-invested enterprises established after the effective date of the FIL will comply with, as the case may be, the Company Law or the Partnership Enterprise Law of the PRC in terms of its organization form, corporate structure and bylaws. For FIEs established prior to the effective date of the FIL, they will have a five-year transition period, during which the FIEs, such as our WFOE, may maintain its current organization form, corporate structure and bylaws.

Regulation of Dividend Distribution

The principal regulations governing the distribution of dividends by foreign holding companies include the Company Law of the PRC (1993), as amended in 2013, the Foreign Investment Enterprise Law (1986), as amended in 2016, and the Administrative Rules under the Foreign Investment Enterprise Law (2001), as amended in 2014.

Under these regulations, wholly foreign-owned investment enterprises in China may pay dividends only out of their retained profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, wholly foreign-owned investment enterprises in China are required to allocate at least 10% of their respective retained profits each year, if any, to fund certain reserve funds unless these reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends, and a wholly foreign-owned enterprise is not permitted to distribute any profits until losses from prior fiscal years have been offset.

E. *Taxation.*

The following sets forth the material British Virgin Islands, Chinese and U.S. federal income tax matters related to an investment in our common shares. It is directed to U.S. Holders (as defined below) of our common shares and is based on laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This description does not deal with all possible tax consequences relating to an investment in our common shares, such as the tax consequences under state, local and other tax laws.

The following brief description applies only to U.S. Holders (defined below) that hold common shares as capital assets and that have the U.S. dollar as their functional currency. This brief description is based on the tax laws of the United States in effect as of the date of this annual report and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this annual report, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The brief description below of the U.S. federal income tax consequences to "U.S. Holders" will apply to you if you are a beneficial owner of shares and you are, for U.S. federal income tax purposes,

- an individual who is a citizen or resident of the United States;

- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the United States, any state thereof or the District of Columbia;

- an estate whose income is subject to U.S. federal income taxation regardless of its source; or

- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

WE URGE POTENTIAL PURCHASERS OF OUR SHARES TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF OUR SHARES.

PRC Enterprise Income Tax

According to the Enterprise Income Tax Law of PRC (the “EIT Law”), which was promulgated on March 16, 2007 and became effective on January 1, 2008 and last amended on February 24, 2017, the income tax for both domestic and foreign-invested enterprises is at a uniform rate of 25%, unless they qualify for certain exceptions. The Regulation on the Implementation of Enterprise Income Tax Law of the PRC (the “EIT Rules”) was promulgated on December 6, 2007 and became effective on January 1, 2008.

On April 14, 2008, the Chinese Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation enacted the Administrative Measures for Certifying High and New Technology Enterprises, which retroactively became effective on January 1, 2008 and amended on January 1, 2016. Under the EIT Law, certain qualified high-tech companies may benefit from a preferential tax rate of 15% if they own their core intellectual properties and are classified into certain industries strongly supported by the Chinese government and set forth by certain departments of the Chinese State Council. Taiying was granted the high and new technology enterprise (“HNTE”) qualification valid for three years starting from June 12, 2009, which was subsequently renewed, and is currently valid through November 29, 2021. Further, the following subsidiaries were granted the HNTE qualifications and entitled to a preferential EIT rate of 15% valid for three years: Central BPO starting from December 5, 2016, JTTC from November 30, 2016, SCBI from December 15, 2016, JCBI from November 30, 2016, HTCC from October 27, 2017, JXTT from November 15, 2016, and ZSEC from August 16, 2018. There can be no assurance, however, that Taiying and its subsidiaries will continue to meet the qualifications for such a reduced tax rate. In addition, there can be no guaranty that relevant governmental authorities will not revoke Taiying’s “high and new technology enterprise” status in the future.

On April 6, 2012, State Administration of Taxation circulated the Announcement on Enterprise Income Tax Regarding Further Implementing the Western China Development Strategy, effective retroactively on January 1, 2011. Pursuant to the Announcement, an enterprise with over 70% of its annual revenues generated from businesses listed in the Catalogue of Industries Encouraged to Develop in the Western Region will be granted a preferential tax rate of 15%. XTTC was granted a preferential EIT rate of 15% for 2017 valid through 2020 for its BPO business conducted in the western region of China. There can be no assurance, however, that XTTC will continue to meet the qualifications for such a reduced tax rate.

Uncertainties exist with respect to how the EIT Law applies to the tax residence status of CCRC and our offshore subsidiaries. Under the EIT Law, an enterprise established outside of China with a “de facto management body” within China is considered a “resident enterprise”, which means that it is treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. Although the implementation rules of the EIT Law define “de facto management body” as a managing body that exercises substantive and overall management and control over the production and business, personnel, accounting books and assets of an enterprise, the only official guidance for this definition currently available is set forth in Circular 82 issued by the State Administration of Taxation, at April 22, 2009 which provides that a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a “resident enterprise” with its “de facto management bodies” located within China if the following criteria are satisfied:

- the place where the senior management and core management departments that are in charge of its daily operations perform their duties is mainly located in the PRC;
- its financial and human resources decisions are made by or are subject to approval by persons or bodies in the PRC;
- its major assets, accounting books, company seals, and minutes and files of its board and shareholders’ meetings are located or kept in the PRC; and
- more than half of the enterprise’s directors or senior management with voting rights frequently reside in the PRC.

Further, the SAT issued a bulletin on August 3, 2011 to provide more guidance on the implementation of Circular 82, or Bulletin 45. Bulletin 45 clarifies certain matters relating to resident status determination, post-determination administration and competent tax authorities. The SAT then issued a bulletin on January 29, 2014, which further provides that, among other things, an entity that is classified as a “resident enterprise” in accordance with Circular 82 shall file the application for classifying its status of residential enterprise with the local tax authorities where its main domestic investors are registered. Form the year in which the entity is determined to be a “resident enterprise,” any dividend, profit and other equity investment gain shall be taxed in accordance with the enterprise income tax law and its implementing rules. A resident enterprise would have to pay a withholding tax at a rate of 10% when paying dividends to its non-PRC shareholders.

We do not believe that we meet the conditions outlined in the preceding paragraph since CCRC does not have a PRC enterprise or enterprise group as our primary controlling shareholder. In addition, we are not aware of any offshore holding companies with a corporate structure similar to the Company that has been deemed a PRC “resident enterprise” by the PRC tax authorities.

If we are deemed a PRC resident enterprise, we may be subject to the EIT at the rate of 25% on our global income, except that the dividends we receive from our PRC subsidiaries may be exempt from the EIT to the extent such dividends are deemed dividends among qualified resident enterprises. If we are considered a resident enterprise and earn income other than dividends from our PRC subsidiaries, a 25% EIT on our global income could significantly increase our tax burden and materially and adversely affect our cash flow and profitability.

PRC Value-Added Tax ("VAT")

The Provisional Regulations of the PRC on Value-added Tax were promulgated by the State Council on December 13, 1993 and came into effect on January 1, 1994 which were subsequently amended on November 10, 2008, February 6, 2016, and November 19, 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax was promulgated by the Ministry of Finance on December 25, 1993 and subsequently amended on December 15, 2008 and October 28, 2011. On December 12, 2013, the Ministry of Finance and the State Administration of Taxation, or the SAT, issued the Circular on Including the Railway Transportation and Postal Industries in the Pilot Program of Replacing Business Tax with Value-Added Tax, or the Pilot Collection Circular. The scope of certain modern services industries under the Pilot Collection Circular is expanded to cover research and development and technical services, cultural and creative services, and radio, film and television services. In addition, according to the Notice on Including the Telecommunications Industry in the Pilot Program of Levying Value-added Tax in Lieu of Business Tax, which became effective on June 1, 2014, the scope of certain modern services industries under the Pilot Collection Circular is further expanded to cover the telecommunications industry. On March 23, 2016, the Ministry of Finance and SAT issued the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax. Effective from May 1, 2016, the PRC tax authorities collect the valued-added tax in lieu of Business Tax in all regions and industries.

Pursuant to the Circular of the State Council on Effectively and Comprehensively Promoting the Pilot Program of Replacing Business Tax with Value-added Tax recently amended on November 19, 2017 and the regulations hereof, the VAT rates generally applicable were 17%, 11%, 6% and 0%, and the VAT rate applicable to the small-scale taxpayers was 3% and 6% to value-added telecommunications services. On April 4, 2018, SAT issued the Circular Regarding Adjusting Value-added Tax Rates, which came into effect on May 1, 2018, and thus, as of December 31, 2018, the VAT tax rates were 16%, 10%, 6%, and 0%. The VAT rates were further decreased pursuant to the Circular Regarding the Relevant Policies of Deepening Value-added Tax Reform jointly issued by the Ministry of Finance, SAT, and the General Administration of Customs on March 20, 2019, which became effective on April 1, 2019 (the "Circular 39"). Pursuant to the Circular 39, starting June 1, 2019, the previous VAT rates of 16% and 10% are now adjusted to 13% and 9%.

British Virgin Islands Taxation

Under the BVI Act as currently in effect, a holder of common shares who is not a resident of the British Virgin Islands is exempt from British Virgin Islands income tax on dividends paid with respect to the common shares and all holders of common shares are not liable to the British Virgin Islands for income tax on gains realized during that year on sale or disposal of such shares. The British Virgin Islands does not impose a withholding tax on dividends paid by a company incorporated or re-registered under the BVI Act.

There are no capital gains, gift or inheritance taxes levied by the British Virgin Islands on companies incorporated or re-registered under the BVI Act. In addition, shares of companies incorporated or re-registered under the BVI Act are not subject to transfer taxes, stamp duties or similar charges.

There is no income tax treaty or convention currently in effect between the United States and the British Virgin Islands or between China and the British Virgin Islands.

United States Federal Income Taxation

The following does not address the tax consequences to any particular investor or to persons in special tax situations such as:

- a dealer in securities or currencies;
- a person whose "functional currency" is not the United States dollar;
- banks;
- financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- broker-dealers;
- traders that elect to mark-to-market;
- U.S. expatriates;
- tax-exempt entities;
- persons liable for alternative minimum tax;
- persons holding our common shares as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of our voting shares;
- persons who acquired our common shares pursuant to the exercise of any employee share option or otherwise as consideration; or
- persons holding our common shares through partnerships or other pass-through entities.

Prospective purchasers are urged to consult their tax advisors about the application of the U.S. Federal tax rules to their particular circumstances as well as the state, local, foreign and other tax consequences to them of the purchase, ownership and disposition of our common shares.

Taxation of Dividends and Other Distributions on our Common Shares

Subject to the passive foreign investment company rules discussed below, the gross amount of distributions made by us to you with respect to the common shares (including the amount of any taxes withheld therefrom) will generally be includable in your gross income as dividend income on the date of receipt by you, but only to the extent that the distribution is paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). The dividends will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations.

With respect to non-corporate U.S. Holders, including individual U.S. Holders, dividends will be taxed at the lower capital gains rate applicable to qualified dividend income, provided that (1) the common shares are readily tradable on an established securities market in the United States, or in the event we are deemed to be a PRC "resident enterprise" under the PRC tax law, we are eligible for the benefits of an approved qualifying income tax treaty with the United States that includes an exchange of information program, (2) we are not a passive foreign investment company (as discussed below) for either our taxable year in which the dividend is paid or the preceding taxable year, and (3) certain holding period requirements are met. Under U.S. Internal Revenue Service authority, common shares are considered for purpose of clause (1) above to be readily tradable on an established securities market in the United States if they are listed on the NASDAQ Capital Market. You are urged to consult your tax advisors regarding the availability of the lower rate for dividends paid with respect to our common shares, including the effects of any change in law after the date of this annual report.

Dividends will constitute foreign source income for foreign tax credit limitation purposes. If the dividends are taxed as qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will be limited to the gross amount of the dividend, multiplied by the reduced rate divided by the highest rate of tax normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by us with respect to our common shares will constitute "passive category income" but could, in the case of certain U.S. Holders, constitute "general category income."

To the extent that the amount of the distribution exceeds our current and accumulated earnings and profits (as determined under U.S. federal income tax principles), it will be treated first as a tax-free return of your tax basis in your common shares, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain. We do not intend to calculate our earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect that a distribution will be treated as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

Taxation of Dispositions of Common Shares

Subject to the passive foreign investment company rules discussed below, you will recognize taxable gain or loss on any sale, exchange or other taxable disposition of a share equal to the difference between the amount realized (in U.S. dollars) for the share and your tax basis (in U.S. dollars) in the common shares. The gain or loss will generally be capital gain or loss. Capital gains are generally subject to United States federal income tax at the same rate as ordinary income, except that non-corporate U.S. Holders who have held common shares for more than one year may be eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any such gain or loss that you recognize will generally be treated as United States source income or loss for foreign tax credit limitation purposes.

Passive Foreign Investment Company

Based on our current operations and the composition of our income and assets, we are not a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for our current taxable year ending December 31, 2016. Our actual PFIC status for the current taxable years ending December 31, 2017 will not be determinable until after the close of such taxable years and, accordingly, there is no guarantee that we will not be a PFIC for the current taxable year. PFIC status is a factual determination for each taxable year which cannot be made until the close of the taxable year. A non-U.S. corporation is considered a PFIC for any taxable year if either:

- at least 75% of its gross income is passive income; or

- at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income (the “asset test”).

We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, at least 25% (by value) of the stock.

We must make a separate determination each year as to whether we are a PFIC. As a result, our PFIC status may change. In particular, because the value of our assets for purposes of the asset test will generally be determined based on the market price of our common shares, our PFIC status will depend in large part on the market price of our common shares. Accordingly, fluctuations in the market price of the common shares may cause us to become a PFIC. In addition, the application of the PFIC rules is subject to uncertainty in several respects and the composition of our income and assets will be affected by how, and how quickly, we spend the cash we raised in our initial public offering. If we are a PFIC for any year during which you hold common shares, we will continue to be treated as a PFIC for all succeeding years during which you hold common shares. However, if we cease to be a PFIC, you may avoid some of the adverse effects of the PFIC regime by making a “deemed sale” election with respect to the common shares.

If we are a PFIC for any taxable year during which you hold common shares, you will be subject to special tax rules with respect to any “excess distribution” that you receive and any gain you realize from a sale or other disposition (including a pledge) of the common shares, unless you make a “mark-to-market” election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the common shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the common shares;

- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income, and

- the amount allocated to each other year will be subject to the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition or “excess distribution” cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale or other disposition of the common shares cannot be treated as capital, even if you hold the common shares as capital assets.

A U.S. Holder of “marketable stock” (as defined below) in a PFIC may make a mark-to-market election for such stock to elect out of the tax treatment discussed above. If you make a mark-to-market election for the common shares, you will include in ordinary income each year an amount equal to the excess, if any, of the fair market value of the common shares as of the close of your taxable year over your adjusted tax basis in such common shares. You are allowed a deduction for the excess, if any, of the adjusted tax basis of the common shares over their fair market value as of the close of the taxable year. However, deductions are allowable only to the extent of any net mark-to-market gains on the common shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the common shares, are treated as ordinary income. Ordinary loss treatment also applies to the deductible portion of any mark-to-market loss on the common shares, as well as to any loss realized on the actual sale or disposition of the common shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such common shares. Your tax basis in the common shares will be adjusted to reflect any such income or loss amounts. If you make a valid mark-to-market election, the tax rules that apply to distributions by corporations which are not PFICs would apply to distributions by us, except that the lower applicable capital gains rate for qualified dividend income discussed above under “—Taxation of Dividends and Other Distributions on our Common Shares” generally would not apply.

The mark-to-market election is available only for “marketable stock”, which is stock that is traded in other than *de minimis* quantities on at least 15 days during each calendar quarter (“regularly traded”) on a qualified exchange or other market (as defined in applicable U.S. Treasury regulations), including the NASDAQ Capital Market. If the common shares are regularly traded on the NASDAQ Capital Market and if you are a holder of common shares, the mark-to-market election would be available to you were we to be or become a PFIC.

Alternatively, a U.S. Holder of stock in a PFIC may make a “qualified electing fund” election with respect to such PFIC to elect out of the tax treatment discussed above. A U.S. Holder who makes a valid qualified electing fund election with respect to a PFIC will generally include in gross income for a taxable year such holder’s pro rata share of the corporation’s earnings and profits for the taxable year. However, the qualified electing fund election is available only if such PFIC provides such U.S. Holder with certain information regarding its earnings and profits as required under applicable U.S. Treasury regulations. We do not currently intend to prepare or provide the information that would enable you to make a qualified electing fund election. If you hold common shares in any year in which we are a PFIC, you will generally be required to file U.S. Internal Revenue Service Form 8621 to report your ownership of our common shares as well as distributions received on the common shares, any gain realized on the disposition of the common shares, any PFIC elections you would like to make in regard to the common shares, and any information required to be reported pursuant to such an election.

You are urged to consult your tax advisors regarding the application of the PFIC rules to your investment in our common shares and the elections discussed above.

Information Reporting and Backup Withholding

Dividend payments with respect to our common shares and proceeds from the sale, exchange or redemption of our common shares may be subject to information reporting to the U.S. Internal Revenue Service and possible U.S. backup withholding at a current rate of 28%. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification on U.S. Internal Revenue Service Form W-9 or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status generally must provide such certification on U.S. Internal Revenue Service Form W-9. U.S. Holders are urged to consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the U.S. Internal Revenue Service and furnishing any required information. We do not intend to withhold taxes for individual shareholders.

Under the Hiring Incentives to Restore Employment Act of 2010, certain United States Holders are required to report information relating to common shares, subject to certain exceptions (including an exception for shares held in accounts maintained by certain financial institutions), by attaching a complete Internal Revenue Service Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold shares. U.S. Holders are urged to consult their own tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

A Non-U.S. Holder generally may eliminate the requirement for information reporting and backup withholding by providing certification of its foreign status to the payor, under penalties of perjury, on the applicable IRS Form W-8BEN.

F. ***Dividends and Paying Agents.***

Not applicable for annual reports on Form 20-F.

G. ***Statement by Experts.***

Not applicable for annual reports on Form 20-F.

H. ***Documents on Display.***

We are subject to the information requirements of the Exchange Act. In accordance with these requirements, the company files reports and other information with the SEC. You may read and copy any materials filed with the SEC at the Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a web site at *http://www.sec.gov* that contains reports and other information regarding registrants that file electronically with the SEC. In accordance with NASDAQ Stock Market Rule 5250(d), we will post this annual report on Form 20-F on our website at www.ccrc.com. In addition, we will provide hard copies of our annual report free of charge to shareholders upon request.

I. ***Subsidiary Information.***

Not Applicable.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Our main interest rate exposure relates to bank borrowings. We manage our interest rate exposure with a focus on reducing our overall cost of debt and exposure to changes in interest rates. In 2018, we had $3.74 million weighted average outstanding bank loans, with weighted average effective interest rate of 5.22%. In the year 2017, we had $0.89 million weight average outstanding bank loans, with weighted average effective interest rate of 0.19%.

As of December 31, 2018, if interest rates increased/decreased by 1%, with all other variables having remained constant, and assuming the amount of bank borrowings outstanding at the end of the year was outstanding for the entire year, profit attributable to equity owners of our company would have been RMB 2,571,084 ($373,900) lower/higher, respectively, mainly as a result of higher/lower interest income from our cash and cash equivalents and loan receivables.

As of December 31, 2017, if interest rates increased/decreased by 1%, with all other variables having remained constant, and assuming the amount of bank borrowings outstanding at the end of the year was outstanding for the entire year, profit attributable to equity owners of our company would have been RMB259,629 ($38,424) lower/higher, respectively, mainly as a result of higher/lower interest income from our cash and cash equivalents and loan receivables.

Foreign Exchange Risk

Our functional currency is the RMB, and our financial statements are presented in U.S. dollar. The RMB depreciated against the U.S. dollar by 5.69% in 2018 and depreciated against the U.S. dollar by 6.3% in 2017. The change in the value of RMB relative to the U.S. dollar may affect our financial results reported in the U.S. dollar terms without giving effect to any underlying change in our business or results of operation.

Currently, our assets, liabilities, revenues and costs are denominated in RMB and in U.S. dollars. Our exposure to foreign exchange risk will primarily relate to those financial assets denominated in U.S. dollars. Any significant revaluation of RMB against U.S. dollar may materially affect our earnings and financial position, and the value of, and any dividends payable on, our common shares in U.S. dollars in the future.

Commodity Risk

We are not exposed to commodity price risk.

Item 12. Description of Securities Other Than Equity Securities

With the exception if Items 12.D.3 and 12.D.4, this Item 12 is not applicable for annual reports on Form 20-F. As to Items 12.D.3 and 12.D.4, this Item 12 is not applicable, as the company does not have any American Depository Shares.

PART II

Item 13. Defaults, Dividends Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

See “Item 10.B – Additional Information – Memorandum and articles of association” for a description of the rights of securities holders, which remain unchanged.

Item 15. Controls and Procedures

(a) Disclosure Controls and Procedures.

As of December 31, 2018 (the “Evaluation Date”), the company carried out an evaluation, under the supervision of and with the participation of management, including the company’s chief executive officer and chief financial officer, of the effectiveness of the design and operation of the company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on the foregoing, the chief executive officer and chief financial officer concluded that as of the Evaluation Date the company’s disclosure controls and procedures were effective and designed to ensure that all material information required to be included in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and to ensure that information required to be disclosed is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decision regarding required disclosure.

(b) Management’s annual report on internal control over financial reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed under the supervision of our chief executive officer and chief financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external reporting purpose in accordance with U.S. generally accepted accounting principles.

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 Internal Control – Integrated framework issued in 2013 by the Committee of Sponsoring Organization of the Treadway Commission, or COSO. The COSO framework summarizes each of the components of a company’s internal control system, including (1)the control environment, (2)risk assessment,(3)control activities, (4)information and communication and (5)monitoring.

Based on that evaluation, management concluded that these controls were effective at December 31, 2018.

(c) Attestation report of the registered public accounting firm.

Not applicable.

(d) Changes in internal control over financial reporting.

There were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 15T. Controls and Procedures

Not applicable.

Item 16. [Reserved]

Item 16A. Audit Committee and Financial Expert

The company's Board of Directors has determined that Mr. Owens Meng qualifies as an "audit committee financial expert" in accordance with applicable NASDAQ Capital Market standards. The company's Board of Directors has also determined that Mr. Meng and the other members of the Audit Committee are all "independent" in accordance with the applicable NASDAQ Capital Market standards.

Item 16B. Code of Ethics

Our board of directors has adopted a code of ethics that applies to all of our directors, executive officers and employees. We have filed our code of ethics as an exhibit to our registration statement on Form F-1, declared effective on December 9, 2015 (File No. 333-199306). The code is also available on our official website under the investor relations section at *www.ccrc.com*

Item 16C. Audit-Related Fees

Audit Fees

During fiscal 2018 and 2017, MaloneBailey, LLP's fees for the annual audit of our financial statements and the periodic reviews of the financial statements were $307,000 and $275,000, respectively.

Audit-Related Fees

The company did not pay MaloneBailey, LLP for audit-related fees in fiscal 2018 or 2017.

Tax Fees

The company has not paid MaloneBailey, LLP for tax services in fiscal 2018 or 2017.

All Other Fees

The company has not paid MaloneBailey, LLP for any other services in fiscal 2018 or 2017.

Audit Committee Pre-Approval Policies

Before MaloneBailey, LLP was engaged by the company to render audit or non-audit services, the engagement was approved by the company's audit committee. All services rendered by MaloneBailey, LLP have been so approved.

Item 16D. Exemptions form the Listing Standards for the Audit Committee

Not Applicable.

Item 16E. Purchase of Equity Securities by the Issuer and the Affiliated Purchasers

Neither the company nor any affiliated purchaser has purchased any shares or other units of any class of the company's equity securities registered by the company pursuant to Section 12 of the Securities Exchange Act during the fiscal year ended December 31, 2018.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Other than as described in this section, our corporate governance practices do not differ from those followed by domestic companies listed on the NASDAQ Capital Market. NASDAQ Listing Rule 5635 generally provides that shareholder approval is required of U.S. domestic companies listed on the NASDAQ Capital Market prior to issuance (or potential issuance) of securities equaling 20% or more of the company's common stock or voting power for less than the greater of market or book value.

Notwithstanding this general requirement, NASDAQ Listing Rule 5615(a)(3)(A) permits foreign private issuers like the company to follow their home country practice rather than this shareholder approval requirement. The company, therefore, is not required to obtain such shareholder approval prior to entering into a transaction with the potential to issue securities as described above.

In order to qualify for the exemption set forth in Rule 5615(a)(3), we must promptly notify NASDAQ of our intention to utilize our home country practice of the British Virgin Islands by providing NASDAQ a written statement from independent counsel licensed in the British Virgin Islands. The written statement provided to NASDAQ must state that the British Virgin Islands does not have an equivalent to NASDAQ's 20% rule and that our current practice is both legal and an accepted business practice in the British Virgin Islands. We have not determined whether we will follow our home practice of not obtaining shareholder approval prior to entering into a transaction with the potential to issue securities as described above. Therefore, currently there are no significant differences between our corporate governance practices and those followed by U.S. domestic companies under Nasdaq rules.

Item 16H. Mine Safety Disclosure

Not applicable.

PART III

Item 17. Financial Statements

We have elected to provide financial statements pursuant to Item 18.

Item 18. Financial Statements

The consolidated financial statements of China Customer Relations Centers, Inc. are included at the end of this annual report, beginning with page F-1.

Item 19. Exhibits

Exhibit No.	Description of Exhibit
1.1	Memorandum and Articles of Association (1)
2.1	Specimen Common Share Certificate (1)
4.1	Translation of Shareholder's Voting Proxy Agreement (1)
4.2	Translation of Entrusted Management Agreement (1)
4.3	Translation of Exclusive Option Agreement (1)
4.4	Translation of Pledge of Equity Agreement (1)
4.5	Employment Agreement of Gary Wang (2)
4.6	Employment Agreement of David Wang (2)
4.7	Employment Agreement of GuoanXu (2)
4.8	Employment Agreement of Tao Bai (3)
8.1	List of Subsidiaries
11.1	Code of Ethics (1)
12.1	Certification of the Chief Executive Officer of China Customer Relations Centers, Inc. pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2	Certification of the Chief Financial Officer of China Customer Relations Centers, Inc. pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	2018 Share Incentive Plan (4)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Labels Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

(1) Filed as an exhibit to the China Customer Relations Centers, Inc.'s Registration Statement on Form S-1, as amended on Form F-1 (Registration No. 333-199306) initially filed on October 14, 2014 and hereby incorporated by reference.
(2) Filed as an exhibit to China Customer Relations Centers, Inc.'s 2016 Annual Report on Form 20-F, filed on April 28, 2017 and hereby incorporated by reference.
(3) Filed as an exhibit to China Customer Relations Centers, Inc.'s 2017 Annual Report on Form 20-F, filed on April 27, 2018 and hereby incorporated by reference.
(4) Filed as part of a exhibit to the Registrant's report on Form 6-K, filed on June 28, 2018 and hereby incorporated by reference.

SIGNATURES

The registrant hereby certifies that is meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

CHINA CUSTOMER RELATIONS CENTERS, INC.

By: /s/ GARY WANG
Gary Wang
Chief Executive Officer

Date: April 26, 2019

CHINA CUSTOMER RELATIONS CENTERS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

TABLE OF CONTENTS

Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of December 31, 2018 and 2017	F-3
Consolidated Statements of Income and Comprehensive Income for the Years Ended December 31, 2018, 2017, and 2016	F-4
Consolidated Statements of Changes in Shareholders’ Equity for the Years Ended December 31, 2018, 2017, and 2016	F-5
Consolidated Statements of Cash Flows for the Years Ended December 31, 2018, 2017, and 2016	F-6
Notes to the Consolidated Financial Statements	F-7 – F-24

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of

China Customer Relations Centers, Inc. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of China Customer Relations Centers, Inc. and Subsidiaries (collectively, the "Company") as of December 31, 2018 and 2017, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

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 audits. 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 audits 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 audits 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 audits 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 audits 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 audits provide a reasonable basis for our opinion.

/s/ *MaloneBailey, LLP*
www.malonebailey.com
We have served as the Company's auditor since 2014.
Houston, Texas
April 26, 2019

CHINA CUSTOMER RELATIONS CENTERS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents	$ 24,419,912	$ 18,628,365
Accounts receivable, net	30,050,506	23,689,583
Notes receivable - related party	-	968,277
Prepayments	1,689,835	1,277,149
Prepayment, related party	91,618	-
Due from related parties, net	199,994	219,051
Income taxes recoverable	527,995	-
Other current assets	1,959,923	1,084,929
Total current assets	58,939,783	45,867,354
Equity investments	3,491,653	3,688,676
Property and equipment, net	8,290,460	6,067,338
Deferred tax assets	486,009	313,463
Total non-current assets	12,268,122	10,069,477
Total assets	$ 71,207,905	$ 55,936,831
LIABILITIES AND EQUITY		
Accounts payable	$ 610,724	$ 495,177
Accounts payable - related parties	162,112	46,661
Accrued liabilities and other payables	5,673,159	4,724,823
Deferred revenue	361,636	607,660
Wages payable	7,082,138	5,565,078
Income taxes payable	364,157	541,321
Short term loans	3,635,623	3,842,371
Total current liabilities	17,889,549	15,823,091
Total liabilities	17,889,549	15,823,091
Equity		
Common shares, $0.001 par value, 100,000,000 shares authorized, 18,329,600 shares issued and outstanding as of December 31, 2018 and December 31, 2017	18,330	18,330
Additional paid-in capital	11,202,396	11,202,396
Retained earnings	40,065,822	25,292,402
Statutory reserves	3,916,149	2,597,031
Accumulated other comprehensive income (loss)	(2,592,289)	80,868
Total China Customer Relations Centers, Inc. shareholders' equity	52,610,408	39,191,027
Noncontrolling interest	707,948	922,713
Total equity	53,318,356	40,113,740
Total liabilities and equity	$ 71,207,905	$ 55,936,831

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

CHINA CUSTOMER RELATIONS CENTERS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	For The Years Ended December 31,		
	2018	**2017**	**2016**
Revenues, net	$ 141,433,641	$ 88,971,787	$ 72,731,706
Cost of revenues	102,567,896	65,562,563	53,098,552
Gross profit	38,865,745	23,409,224	19,633,154
Operating expenses:			
Selling, general & administrative expenses	21,329,908	14,766,524	11,082,106
Total operating expenses	21,329,908	14,766,524	11,082,106
Income from operations	17,535,837	8,642,700	8,551,048
Interest expense	(404,958)	(1,609)	(50,383)
Government grants	1,709,297	1,885,340	801,125
Other income	552,205	175,995	479,387
Other expense	(124,370)	(331,641)	(55,003)
Total other income	1,732,174	1,728,085	1,175,126
Income before provision for income taxes	19,268,011	10,370,785	9,726,174
Income tax provision	2,966,880	1,255,654	1,448,923
Net income	16,301,131	9,115,131	8,277,251
Less: net income attributable to noncontrolling interest	208,593	341,672	-
Net income attributable to China Customer Relations Centers, Inc.	$ 16,092,538	$ 8,773,459	$ 8,277,251
Comprehensive income			
Net income	$ 16,301,131	$ 9,115,131	$ 8,277,251
Other comprehensive income (loss)			
Foreign currency translation adjustment	(2,741,283)	2,141,796	(1,537,534)
Total Comprehensive income	13,559,848	11,256,927	6,739,717
Less: Comprehensive income attributable to noncontrolling interest	140,467	401,324	-
Comprehensive income attributable to China Customer Relations Centers, Inc.	$ 13,419,381	$ 10,855,603	$ 6,739,717
Earnings per share attributable to China Customer Relations Centers, Inc.			
Basic	$ 0.88	$ 0.48	$ 0.45
Diluted	$ 0.88	$ 0.48	$ 0.45
Weighted average common shares outstanding			
Basic	18,329,600	18,329,600	18,329,600
Diluted	18,329,600	18,329,600	18,329,600

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

CHINA CUSTOMER RELATIONS CENTERS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Number of Shares	Common Stock	Additional Paid-in Capital	Statutory Reserves	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total
Balance, January 1, 2016	18,329,600	$ 18,330	$ 11,178,774	$ 1,288,617	$ 9,728,228	$ (450,434)	$	$ 21,763,515
Net income					8,277,251			8,277,251
Foreign currency translation adjustment						(1,537,534)		(1,537,534)
Transfer to reserve				779,218	(779,218)			-
Balance, December 31, 2016	18,329,600	$ 18,330	$ 11,178,774	$ 2,067,835	$ 17,226,261	$ (1,987,968)	$	$ 28,503,232
Net income					8,773,459		341,672	9,115,131
Foreign currency translation adjustment						2,082,144	59,652	2,141,796
Contribution from non-controlling investor			23,622		(178,122)	(13,308)	521,389	353,581
Transfer to reserve				529,196	(529,196)			-
Balance, December 31, 2017	18,329,600	$ 18,330	$ 11,202,396	$ 2,597,031	$ 25,292,402	$ 80,868	$ 922,713	$ 40,113,740
Net income					16,092,538		208,593	16,301,131
Foreign currency translation adjustment						(2,673,157)	(68,126)	(2,741,283)
Distribution of dividend to noncontrolling investor							(355,232)	(355,232)
Transfer to reserve				1,319,118	(1,319,118)			-
Balance, December 31, 2018	18,329,600	$ 18,330	$ 11,202,396	$ 3,916,149	$ 40,065,822	$ (2,592,289)	$ 707,948	$ 53,318,356

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

CHINA CUSTOMER RELATIONS CENTERS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Years Ended December 31,		
	2018	**2017**	**2016**
Cash flows from operating activities			
Net income	$ 16,301,131	$ 9,115,131	$ 8,277,251
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	2,635,242	1,852,152	1,542,352
Allowance for doubtful accounts	952,439	429,803	805,870
Loss on disposal of property and equipment	34,166	2,416	-
Deferred income taxes	(196,909)	(230,043)	(84,067)
Changes in assets and liabilities:			
Accounts receivable, net	(7,937,804)	(9,269,755)	(5,561,722)
Prepayments	(887,778)	(1,313,830)	(767,516)
Prepayment, related party	(95,244)	-	-
Other current assets	(970,199)	25,925	(63,669)
Accounts payable	147,818	(505,372)	193,639
Accounts payable - related parties	122,630	(88,136)	25,276
Wages payable	1,884,440	2,393,214	277,335
Income taxes recoverable	(548,893)	-	-
Income taxes payable	(153,896)	(386,825)	(67,681)
Deferred revenue	(221,771)	(38,813)	634,644
Accrued liabilities and other payables	1,077,098	1,016,373	454,572
Net cash provided by operating activities	**12,142,470**	**3,002,240**	**5,666,284**
Cash flows from investing activities			
Purchase of property and equipment	(4,768,139)	(2,082,719)	(478,775)
Proceed from disposal of property and equipment	9,197	108	-
Repayment from third parties	-	233,596	-
Loans on third parties	-	-	(563,896)
Repayments from related parties	117,802	-	40,011
Advance to related parties	(105,827)	(7,400)	(18,210)
Payments for equity investments	(1,461)	(3,509,404)	-
Net cash used in investing activities	**(4,748,428)**	**(5,365,819)**	**(1,020,870)**
Cash flows from financing activities			
Contribution from noncontrolling investor in subsidiary	-	353,581	-
Dividend distributed to noncontrolling investor in subsidiary	(355,232)	-	-
Repayment to related parties	-	(473,914)	-
Borrowings of short term loans	3,891,596	3,780,490	-
Repayment of short term loans	(3,625,448)	-	(1,510,962)
Net cash provided by (used in) financing activities	**(89,084)**	**3,660,157**	**(1,510,962)**
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1,513,411)	884,519	(811,033)
Net change in cash, cash equivalents and restricted cash	5,791,547	2,181,097	2,323,419
Cash, cash equivalents and restricted cash, beginning of the year	18,628,365	16,447,268	14,123,849
Cash, cash equivalents and restricted cash, end of the year	**$ 24,419,912**	**$ 18,628,365**	**$ 16,447,268**
Supplemental cash flow information			
Interest paid	$ 404,958	$ 1,609	$ 50,383
Income taxes paid	$ 3,929,237	$ 1,767,983	$ 1,558,290
Non-cash investing and financing activities			
Transfer from prepayments to property and equipment	$ 392,637	$ 866,940	$ 932,192
Liabilities assumed in connection with purchase of PPE	$ 88,112	$ 252,317	$ 672,715
Property and equipment paid by related party	$ -	$ 15,539	$ -
Short term debt reclassified to due to related party	$ -	$ -	$ 203,048
Advance to related party settled through service provided	$ -	$ 52,215	$ -
Settlement of notes receivable from a third party	$ -	$ 328,783	$ -
Operating expenses paid by related party	$ -	$ -	$ 107,634
Reconciliation of cash, cash equivalents and restricted cash to the consolidated balance sheets			
Cash and cash equivalents	$ 24,419,912	$ 18,628,365	$ 15,947,268
Restricted cash	-	-	500,000
Total cash, cash equivalents and restricted cash	$ 24,419,912	$ 18,628,365	$ 16,447,268

The accompanying footnotes are an integral part of these consolidated financial statements

CHINA CUSTOMER RELATIONS CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – ORGANIZATION

China Customer Relations Centers, Inc. (the "Company"), was incorporated on March 6, 2014 under the laws of British Virgin Islands. China BPO Holdings Limited ("CBPO"), the Company's 100% owned subsidiary, was established in Hong Kong on March 28, 2014 as a limited liability company. Other than the equity interest in CBPO, the Company does not own any material assets or liabilities except for cash and cash equivalents, as disclosed in the table at page F-11 or conduct any operations. CBPO holds all of the outstanding equity interest in Shandong Juncheng Information Technology Co., Ltd., a company established on August 19, 2014 in the People's Republic of China ("PRC") as a wholly foreign owned enterprise ("WFOE"). Other than the equity interest in WFOE, CBPO does not own any material assets or liabilities except for cash and cash equivalents and long term investment, as disclosed in the table at page F-11 or conduct any operations. Shandong Taiying Technology Co., Ltd ("Taiying") was incorporated on December 18, 2007 as a domestic Chinese corporation. Taiying and its wholly owned or majority owned subsidiaries are engaged in business process outsourcing ("BPO"), acting as a service provider focusing on the complex voice-based and online-based segment of customer care services, including customer relationship management, sales, customer retention, marketing surveys and research for some of China's big enterprises.

The Company does not conduct any substantive operations of its own, rather, it conducts its primary business operations through WFOE, which in turn, conducts its business substantially through Taiying. Effective control over Taiying was transferred to the Company through the series of contractual arrangements without transferring legal ownership in Taiying ("reorganization"). As a result of these contractual arrangements, the Company maintained the ability to approve decisions made by Taiying and was entitled to substantially all of the economic benefits of Taiying.

Under the laws and regulations of the PRC, foreign persons and foreign companies are restricted from investing directly in certain businesses within the PRC. Call center businesses are subject to these restrictions on foreign investment. In order to comply with these laws and regulations, on September 3, 2014, Taiying and its sole shareholder, Beijing Taiying Anrui Holding Co., Ltd. ("Beijing Taiying"), entered into an entrusted management agreement with WFOE, which provides that WFOE will be entitled to the full guarantee for the performance of such contracts, agreements or transactions entered into by Taiying. WFOE is also entitled to receive the residual return of Taiying. As a result of the agreement, WFOE will absorb 100% of the expected losses and gains of Taiying.

WFOE also entered into a pledge of equity agreement with Taiying's sole shareholder, Beijing Taiying, who pledged all its equity interest in these entities to WFOE. The pledge of equity agreement, which was entered into by Beijing Taiying, pledged its equity interest in WFOE as a guarantee for the entrustment payment under the Entrusted Management Agreement. The provincial Administration for Industry and Commerce approved and registered such pledge of equity by which WFOE owns the right of pledge legally.

In addition, WFOE entered into an option agreement to acquire its sole shareholder's equity interest in these entities at such times as it may wish to do so.

The followings are brief descriptions of contracts entered between WFOE, Taiying and its sole shareholder, Beijing Taiying:

(1) *Entrusted Management Agreement.* The domestic companies, WFOE, Taiying and its sole shareholder, Beijing Taiying, have entered into an Entrusted Management Agreement, which provides that WFOE will be fully and exclusively responsible for the management of Taiying. As consideration for such services, Taiying has agreed to pay WFOE the management fee during the term of this agreement and the management fee shall be equal to Taiying's estimated earnings before tax. Also, WFOE will assume all operating risks related to this entrusted management service to Taiying and bear all losses of Taiying. The term of this agreement will be from the effective date thereof to the earlier of the following: (1) the winding up of Taiying, or (2) the termination date of this Agreement to be determined by the parties hereto, or (3) the date on which WFOE completes the acquisition of Taiying.

(2) Exclusive Option Agreement. Taiying and its sole shareholder, Beijing Taiying, have entered into an Exclusive Option Agreement with WFOE, which provides that WFOE will be entitled to acquire such shares from the current shareholder upon certain terms and conditions, meanwhile WFOE will be entitled an irrevocable exclusive purchase option to purchase all or part of the assets and business of Taiying, if such a purchase is or becomes allowable under PRC laws and regulations. The Exclusive Option Agreement also prohibits the current shareholder of Taiying as well as Taiying from transferring any portion of their equity interests, business or assets to anyone other than WFOE. WFOE has not yet taken any corporate action to exercise this right of purchase, and there is no guarantee that it will do so or will be permitted to do so by applicable law at such times as it may wish to do so.

(3) Shareholder's Voting Proxy Agreement. The sole shareholder of Taiying has executed a Shareholder's Voting Proxy Agreement to irrevocably appoint the persons designated by WFOE with the exclusive right to exercise, on its behalf, all of its Voting Rights in accordance with the laws and Taiying's Articles of Association, including but not limited to the rights to sell or transfer all or any of its equity interests of Taiying, and to appoint and elect the directors and Chairman as the authorized legal representative of Taiying. This agreement will be only terminated prior to the completion of acquisition of all of the equity interests in, or all assets or business of Taiying.

(4) Pledge of Equity Agreement. WFOE and the sole shareholder of Taiying have entered into a Pledge of Equity Agreement, pursuant to which the sole shareholder pledge all of its shares (100%) of Taiying, as appropriate, to WFOE. If Taiying or its sole shareholder breaches their respective contractual obligations in the "Entrusted Management Agreement", "Exclusive Option Agreement" and "Shareholder's Voting Proxy Agreement", WFOE as Pledgee, will be entitled to certain rights to foreclose on the pledged equity interests. Such Taiying shareholder cannot dispose of the pledged equity interests or take any actions that would prejudice WFOE's interest.

Upon executing the above agreements, Taiying is considered a Variable Interest Entity ("VIE") and WFOE is the primary beneficiary. Accordingly, Taiying is consolidated into WFOE under the guidance of FASB Accounting Standards Codification ("ASC") 810, Consolidation.

Except for the disclosed above, there are no arrangements that could require the Company to provide financial support to Taiying, including events or circumstances that could expose the Company to a loss. As stated in the disclosure of various agreements between the Company and Taiying, the Company has rights to acquire any portion of the equity interests of Taiying. Also, the Company may allocate its available funds to Taiying for business purposes. There are no fixed terms of such arrangements.

Although the structure the Company has 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. There are uncertainties regarding the interpretation and application of PRC laws and regulations including those that govern the Company's contractual arrangements, which could limit the Company's ability to enforce these contractual arrangements. If the Company or any of its variable interest entities are found to be in violation of any existing or future PRC laws, rules or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures, including levying fines, revoking business and other licenses of the Company's variable interest entities, requiring the Company to discontinue or restrict its operations, restricting its right to collect revenue, requiring the Company to restructure its operations or taking other regulatory or enforcement actions against the Company. In addition, it is unclear what impact the PRC government actions would have on the Company and on its ability to consolidate the financial results of its variable interest entities in the consolidated financial statements, if the PRC government authorities were to find the Company's legal structure and contractual arrangements to be in violation of PRC laws, rules and regulations. If the imposition of any of these government actions causes the Company to lose its right to direct the activities of Taiying and through Taiying's equity interest in its subsidiaries or the right to receive their economic benefits, the Company would no longer be able to consolidate the Taiying and its subsidiaries.

Immediately before and after the reorganization, the shareholder of Taiying controlled Taiying and the Company; therefore, for accounting purposes, the reorganization is accounted for as a transaction of entities under common control. Accordingly, the accompanying consolidated financial statements have been prepared as if the current corporate structure had been in existence throughout the periods presented.

As of the filing date, the Company's subsidiaries and variable interest entities are as follows:

Name	Date of Incorporation	Place of incorporation	Percentage of effective ownership	Principal Activities
China BPO Holdings Limited, ("CBPO")	March 28, 2014	Hong Kong	100%	Holding company of WFOE
Shandong Juncheng Information Technology Co., Ltd. ("WFOE")	August 19, 2014	PRC	100%	Holding company
Shandong Taiying Technology Co., Ltd. ("Taiying")	December 18, 2007	PRC	Contractual arrangements (1)	BPO service provider principally serves North China
Chongqing Central BPO Industry Co., Ltd. ("Central BPO")	January 28, 2010	PRC	100% (2)	BPO service provider principally serves South China
Jiangsu Taiying Technology Co., Ltd. ("JTTC")	February 25, 2010	PRC	100% (2)	BPO service provider which principally serves East China
Hebei Taiying Communication BPO Co., Ltd. ("HTCC")	April 20, 2010	PRC	51% (4)	BPO service provider which principally serves North China
Shandong Central BPO Industry Co., Ltd. ("SCBI")	August 9, 2012	PRC	100% (5)	BPO service provider which principally serves North China
Shandong Taiying Technology Chongqing Branch Company ("STTCB")	February 22, 2013	PRC	100% (2)	BPO service provider principally serves South China
Jiangsu Central Information Service Co., Ltd. ("JCBI")	December 12, 2013	PRC	100% (2)	BPO service provider principally serves East China
Anhui Taiying Information Technology Co., Ltd. ("ATIT")	December 26, 2013	PRC	100% (2)	BPO service provider principally serves East China
Jiangsu Taiying Information Service Co., Ltd. ("JTIS")	July 1, 2014	PRC	100% (2)	BPO service provider principally serves East China
Nanjing Taiying E-Commercial Business Co., Ltd. ("NTEB")	December 25, 2014	PRC	100% (2)	BPO service provider principally serves East China

Name	Date of Incorporation	Place of incorporation	Percentage of effective ownership	Principal Activities
Jiangxi Taiying Technology Co., Ltd. (“JXTT”)	January 8, 2015	PRC	100% (2)	BPO service provider principally serves Southeast China
Xinjiang Taiying Technology Co., Ltd (“XTTC”)	March 20, 2015	PRC	100% (2)	BPO service provider principally serves Northwest, China
Beijing Taiying Technology Co., Ltd. (“BTTC”)	June 30, 2015	PRC	100% (2)	BPO service provider principally serves North China
Zaozhuang Shenggu E-commerce Co., Ltd. (“ZSEC”)	June 16, 2016	PRC	100% (3)	E-commerce service provider for the Company
Baoding Taiying Information Technology Service Co., Ltd. (“BTIT”)	June 16, 2017	PRC	100% (2)	BPO service provider principally serves Hebei Province, China
Sichuan Taiying Technology Co., Ltd. (“STTC”)	November 8, 2017	PRC	100% (2)	BPO service provider principally serves Sichuan Province, China
Global Telecare Services Limited (“GTSL”)	February 17, 2017	Hong Kong	100% (2)	Holding company for future acquisition of foreign businesses
Guangxi Taiying Information Technology Co., Ltd. (“GTTC”)	March 28, 2018	PRC	100% (2)	BPO service provider principally serves Guangxi Zhuang Autonomous Region, China
Guangdong Taiying Technology Co., Ltd. (“GDTT”)	September 6, 2018	PRC	100% (2)	BPO service provider principally serves Guangdong Province
Shandong Taiying Technology Wuhan Branch Company (“STTWB”)	November 8, 2018	PRC	100% (2)	BPO service provider principally serves Hubei Province
Shandong Taiying Technology Chuzhou Branch Company (“STTCZB”)	January 28, 2019	PRC	100% (2)	BPO service provider principally serves Anhui Province

(1) VIE effectively controlled by WFOE through a series of contractual agreements

(2) Wholly-owned subsidiaries of Taiying

(3) Wholly-owned subsidiary of BTTC

(4) 49% owned by Beijing Jiate Information Technology Co., Ltd.

(5) Wholly-owned subsidiary of Central BPO

As of December 31, 2018 and 2017, the assets and liabilities in the Company's balance sheets relate to CCRC, CBPO, and WOFE are as follows:

	December 31, 2018			December 31, 2017		
	Held by CCRC	Held by CBPO	Held by WFOE	Held by CCRC	Held by CBPO	Held by WFOE
Assets						
Cash and cash equivalents	$ 579,490	$ 17,219	$ 4,729,713	$ 1,209,530	$ 12,219	$ 5,021,541
Other receivables	2,035	-	73	2,035	-	544
Prepayments	109,583	-	9,730	-	-	-
Income taxes recoverable	-	-	11,942	-	-	-
Long term investment	-	5,000,000	-	-	5,000,000	-
Property and equipment, net	-	-	15,084	-	-	-
Liabilities						
Other payables	$ 34,797	$ 57,000	$ 34,809	$ 15,295	$ 52,000	$ -
Wages payable	100,000	-	130,882	-	-	-

As of December 31, 2018 and 2017, the carrying amount and classification of the assets and liabilities in the Company's balance sheets that relate to the Company's VIE and VIE's subsidiaries is as follows:

	December 31, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents	$ 19,093,490	$ 12,385,075
Accounts receivable, net	30,050,506	23,689,583
Notes receivable – related party	-	968,277
Prepayments	1,570,522	1,217,149
Prepayment, related party	91,618	-
Due from related parties, net	199,994	219,051
Income taxes recoverable	516,053	-
Other current assets	1,957,815	1,082,350
Total current assets of VIE and its subsidiaries	53,479,998	39,561,485
Equity investments	3,491,653	3,688,676
Property and equipment, net	8,275,376	6,067,338
Deferred tax assets	486,009	313,463
Total non-current assets of VIE and its subsidiaries	12,253,038	10,069,477
Total assets of VIE and its subsidiaries	$ 65,733,036	$ 49,630,962
LIABILITIES		
Accounts payable	$ 610,724	$ 495,177
Accounts payable - related parties	162,112	46,661
Accrued liabilities and other payables	5,546,553	4,657,528
Deferred revenue	361,636	607,660
Wages payable	6,851,256	5,565,078
Income taxes payable	364,157	541,321
Short term loans	3,635,623	3,842,371
Total current liabilities of VIE and its subsidiaries	17,532,061	15,755,796
Total liabilities of VIE and its subsidiaries	$ 17,532,061	$ 15,755,796

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principals of Consolidation

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

The consolidated financial statements include the accounts of the Company and Taiying, which is a variable interest entity with the Company as the primary beneficiary. In accordance with U.S. GAAP regarding "Consolidation of Variable Interest Entities ("VIE")", the Company identifies entities for which control is achieved through means other than through voting rights, and determines when and which business enterprise, if any, should consolidate the VIE.

The Company evaluated its participating interest in Taiying and concluded it is the primary beneficiary of Taiying, a VIE. The Company consolidated Taiying and all significant intercompany transactions and balances have been eliminated.

Noncontrolling Interest

Noncontrolling interest on the consolidated balance sheets is resulted from the consolidation of HTCC, a 51% owned subsidiary starting from January 31, 2017. The portion of the income or loss applicable to the noncontrolling interest in subsidiary is reflected in the consolidated statements of income and comprehensive income.

Reclassification

Certain prior year amounts have been reclassified to conform to the current period presentation. These reclassifications had no impact on net earnings and financial position.

Foreign Currency Translation

The accompanying consolidated financial statements are presented in United States dollar ("$"), which is the reporting currency of the Company. The functional currency of China Customer Relations Centers, Inc. and CBPO is United States dollar. The functional currency of the Company's subsidiary and VIEs located in the PRC is Renminbi ("RMB"). For the subsidiaries whose functional currencies are RMB, results of operations and cash flows are translated at average exchange rates during the period, assets and liabilities are translated at the unified exchange rate at the end of the period, and equity is translated at historical exchange rates. The resulting translation adjustments are included in determining other comprehensive income. Transaction gains and losses are reflected in the consolidated statements of income and comprehensive income. For the years ended December 31, 2018, 2017 and 2016, the Company had gain (loss) of $231,928, ($283,343) and $278,411, respectively, resulted from foreign currency transactions, which was included in other income (other expense) in the consolidated statements of income and comprehensive income.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates and judgments on historical experience and on various other assumptions and information that are believed to be reasonable under the circumstances. Estimates and assumptions of future events and their effects cannot be perceived with certainty and, accordingly, these estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. Significant estimates and assumptions by management include, among others, useful lives and impairment of long-lived assets, impairment of equity investments, allowance for doubtful accounts, income taxes including the valuation allowance for deferred tax assets, and estimated amounts of variable consideration in the Company's revenue recognition. While the Company believes that the estimates and assumptions used in the preparation of the financial statements are appropriate, actual results could differ from those estimates. Estimates and assumptions are periodically reviewed and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and cash in time deposits, certificates of deposit and all highly liquid instruments with original maturities of three months or less.

Accounts Receivable

Accounts receivable consists principally of amounts due from trade customers. Credit is extended based on an evaluation of the customer's financial condition and collateral is not generally required. Certain credit sales are made to industries that are subject to cyclical economic changes.

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its clients to make required payments or to cover potential credit losses. Estimates are based on historical collection experience, current trends, credit policy and relationship between accounts receivable and revenues. In determining these estimates, the Company examines historical write-offs of its receivables and reviews each client's account to identify any specific customer collection issues.

Impairment of Long-Lived Assets

The Company's long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of an asset to be held and used is measured by a comparison of the carrying amount of the asset to the future undiscounted cash flows expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. Impairment evaluations involve management's estimates on asset useful lives and future cash flows. Actual useful lives and cash flows could be different from those estimated by management which could have a material effect on our reporting results and financial position. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation and include expenditures for additions and major improvements. Significant improvements and betterments are capitalized where it is probable that the expenditure resulted in an increase in the future economic benefits expected to be obtained from the use of the asset beyond its originally assessed standard of performance. Routine repairs and maintenance are expensed when incurred. The Company disposes property and equipment once the Company determines the possibility of receiving future benefit from such property or equipment is remote. Substantially all of the property and equipment are abandoned when disposed. Gains and losses on disposal are included in selling, general and administrative expenses in the consolidated statements of income and comprehensive income based on the net disposal proceeds less the carrying amount of the assets.

Certain call center decoration projects were still under construction as of December 31, 2018 and 2017, and the costs of construction were reported as construction in progress. No provision for depreciation is made on the assets under construction until such time as the relevant assets are completed and ready for their intended use.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Electronic equipment	3-5 years
Furniture and Fixture	5 years
Motor vehicles	4 years
Computer software	5 years
Leasehold improvements	5 years

Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, net, prepayments, income taxes recoverable, other current assets, accounts payable, accrued liabilities and other payables, deferred revenue, wages payable, income taxes payable, and short term loans, the carrying amounts approximate their fair values due to the short maturities.

Lease Commitments

The Company has adopted FASB ASC 840. If the lease terms meet one or all of the following four criteria, it will be classified as a capital lease, otherwise, it is an operating lease: (1) The lease transfers the title to the lessee at the end of the term; (2) the lease contains a bargain purchase option; (3) the lease term is equal to 75% of the estimated economic life of the leased property or more; (4) the present value of the minimum lease payment in the term equals or exceeds 90% of the fair value of the leased property.

Payments made under operating leases are charged to the consolidated statements of income and comprehensive income on a straight-line basis over the lease period.

Earnings Per Share

Basic earnings per common share is computed by dividing net earnings attributable to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income attributable to common shareholders by the sum of the weighted average number of common stock outstanding and dilutive potential common stock during the period.

Revenue Recognition

The Company operates call centers and generates revenues primarily by providing BPO services, which focus on complex, voice-based and online-based segment of customer care services.

On January 1, 2018, the Company adopted ASC 606, *Revenue from Contracts with Customers*, using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts have not been adjusted and continue to be reported in accordance with the Company's historic accounting under ASC 605, *Revenue Recognition*. The adoption had no material impact on the Company's consolidated financial statements and there was no adjustment to the beginning retained earnings on January 1, 2018.

Under ASC 606, revenue is recognized when control of the promised services is transferred to the Company's customers, in an amount that reflects the consideration that the Company expects to be entitled to in exchange for those services, net of value-added tax. The Company determines revenue recognition through the following steps:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company provides BPO service, such as i) inbound call service, which includes directory assistance, mobile phone service plan, billing questions, hotline consultation, complaints, customer feedbacks and customer relationship management, and ii) outbound call service, which includes products selling, marketing surveys, new products informing, plans expiration and bills overdue notification, etc., for its customers.

The Company makes arrangement and provides service to its customer pursuant to a master agreement that specifies service content and the price of an individual performance of each service, generally on monthly basis. The BPO inbound and outbound service fees are based on either a per minute, per hour, per transaction or per call basis. For outbound call service, certain business successful rate was obtained. The fee is determined on a per call basis where the Company receives a basic standard fee for each call plus an extra fee for such things as successfully selling a product or completing a survey.

The nature of the Company's contracts with customers gives rise to certain types of variable consideration. Certain client programs provide for adjustments to monthly billings based upon whether the Company achieves, exceeds or fails certain performance criteria. Adjustments to monthly billings consist of contractual bonuses/penalties, holdbacks and other performance based contingencies. The Company includes estimated amounts of variable consideration in the transaction price to the extent that it is probable there will not be a significant reversal of revenue. Estimates are based on historical or anticipated performance and represent the Company's best judgment at the time.

Revenues are recognized as the performance obligations are satisfied over time over the service period as the service is rendered.

The Company's chief operating decision maker reviews results analyzed by customers and the analysis is only presented at the revenue level with no allocation of direct or indirect costs. The Company determines that it has only one operating segment. Consequently, the Company does not disaggregate revenue recognized from contracts with customers.

Contract liabilities represented receipt in advance from customers. As of December 31, 2018, receipt in advance from customers was $361,636. As of December 31, 2017, receipt in advance from customers was $331,009, of which $310,510 was recognized as revenue in the year ended December 31, 2018. Receipt in advance from customers is included in deferred revenue in the consolidated balance sheets. The Company does not have any contract assets.

Government Grants

Government grants include cash subsidies as well as other subsidies received from various government agencies by the subsidiaries of the Company. Such subsidies are generally provided as incentives from the local government to encourage the expansion of local business. The government grant is recognized in the consolidated statements of income and comprehensive income when the relevant performance criteria specified in the grant are met, for instance, locating contact centers in their jurisdictions or helping local employment needs. Grants applicable to purchase of property and equipment are credited to deferred revenue upon receipt and are amortized over the life of depreciable assets.

Research and Development Expenses

Research and development expenses consist primarily of wage expense incurred to personnel to continuously upgrade the Company's existing software products. For the years ended December 31, 2018, 2017, and 2016, research and development expenses of $4,069,794, $3,551,629,and $3,264,073 were included in selling, general and administrative expenses in the consolidated statements of income and comprehensive income.

Income taxes

The Company accounts for income taxes under the provision of FASB ASC 740-10, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are cash and accounts receivable arising from its normal business activities. The Company places its cash in what it believes to be credit-worthy financial institutions. The Company routinely assesses the financial strength of the customer and, based upon factors surrounding the credit risk, establishes an allowance, if required, for uncollectible accounts and, as a consequence, believes that its accounts receivable credit risk exposure beyond such allowance is limited.

Related Parties Transactions

A related party is generally defined as (i) any person that holds 10% or more of the Company's securities and their immediate families, (ii) the Company's management, (iii) someone that directly or indirectly controls, is controlled by or is under common control with the Company, or (iv) anyone who can significantly influence the financial and operating decisions of the Company. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. The Company conducts business with its related parties in the ordinary course of business. Related parties may be individuals or corporate entities.

Transactions involving related parties cannot be presumed to be carried out on an arm's-length basis, as the requisite conditions of competitive, freemarket dealings may not exist. Representations about transactions with related parties, if made, shall not imply that the related party transactions were consummated on terms equivalent to those that prevail in arm's-length transactions unless such representations can be substantiated. It is not, however, practical to determine the fair value of amounts due from/to related parties due to their related party nature.

Equity Investments

The Company's equity investments consist of investments in equity securities of privately held companies without readily determinable fair value, where the Company's level of ownership is such that it cannot exercise significant influence over the investees. Investments are initially recorded at the amount of the Company's initial investment and adjusted for declines in fair value that are considered other than temporary.

Subsequent to the Company's adoption of ASC 321 on January 1, 2018, the Company elected to record these investments at cost, less impairment, and plus or minus subsequent adjustments for observable price changes. The Company makes a qualitative assessment of whether the investments is impaired at each reporting date. If a qualitative assessment indicates that an investment is impaired, the Company estimates the investment's fair value in accordance with ASC 820. If the fair value is less than the investment's carrying value, the Company has to recognize an impairment loss in net income equal to the difference between the carrying value and fair value.

Segment Reporting

The Company uses the "management approach" in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company's chief operating decision maker for making operating decisions and assessing performance as the source for determining the Company's reportable segments. The Company's chief operating decision maker has been identified as the chief executive officer of the Company who reviews financial information of separate operating segments based on U.S. GAAP. The chief operating decision maker now reviews results analyzed by customer. This analysis is only presented at the revenue level with no allocation of direct or indirect costs. Consequently, the Company has determined that it has only one operating segment.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, "*Revenue from Contracts with Customers (ASC 606)*" and issued subsequent amendments to the initial guidance or implementation guidance between August 2015 and November 2017 within ASU 2015-04, ASU 2016-08, ASU 2016-10, ASU 2016-12, ASU 2016-20, ASU 2017-13, and ASU 2017-14 (collectively, including ASU 2014-09, "ASC 606"). Under ASC 606, revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Effective January 1, 2018, the Company adopted the standard using the modified retrospective method, the adoption of ASC 606 did not have a material impact on our consolidated financial statements. See Note 2 – Revenue Recognition for further details.

In January 2016, the FASB issued ASU No. 2016-01, "*Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*," which improves the recognition and measurement of financial instruments. The new guidance requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income and separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements. The ASU allows a measurement alternative for equity investments without readily determinable fair value and do not qualify for the existing practical expedient in ASC 820, Fair Value Measurements and Disclosures, at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transaction for identical or similar investments of the same issuer, if any.

ASU 2016-01 was further amended in February 2018 by ASU 2018-03, "*Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*." This update was issued to clarify certain narrow aspects of guidance concerning the recognition of financial assets and liabilities established in ASU 2016-01. This includes an amendment to clarify that an entity measuring an equity security using the measurement alternative may change its measurement approach to a fair valuation method in accordance with Topic 820, Fair Value Measurement, through an irrevocable election that would apply to that security and all identical or similar investments of the same issued.

ASU 2016-01 and 2018-03 are effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company adopted the ASU effective January 1, 2018. The adoption did not have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842)*" and issued subsequent amendments to the initial guidance or implementation guidance including ASU 2017-13, 2018-01, 2018-10, 2018-11, 2018-20 and 2019-01 (collectively, including ASU 2016-02, "ASC 842"). Under ASC 842, lessees will be required to recognize all leases at the commencement date including a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use (ROU) asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

The standard will be effective for the Company beginning January 1, 2019, with early adoption permitted. The Company will adopt the standard on January 1, 2019 on a modified retrospective basis and will not restate comparable periods. The Company will elect the package of practical expedients permitted under the transition guidance, which allows the Company to carry forward the historical lease classification, the assessment whether a contract is or contains a lease and initial direct costs for any leases that exist prior to adoption of the new standard. The Company will also elect the practical expedient not to separate lease and non-lease components for certain classes of underlying assets and the short-term lease exemption for contracts with lease terms of 12 months or less. The Company estimates that approximately $8.7 million would be recognized as total right-of-use assets and total lease liabilities in the consolidated balance sheets as of January 1, 2019. However, the Company does not expect the adoption to have a material impact to the consolidated statements of income and comprehensive income and cash flows.

In November 2016, the FASB issued ASU 2016-18, "*Statement of Cash Flows (ASC 230): Restricted Cash*" update on the presentation of restricted cash in the statement of cash flows. The new guidance requires an entity to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows, and an entity will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. The Company adopted this new accounting standard retrospectively starting January 1, 2018.

As a result of the adoption, net cash provided by investing activities was adjusted to exclude the changes in restricted cash, resulting in an increase of $500,000 in net cash used in investing activities in the previously reported amount for the year ended December 31, 2017. The Company's restricted cash represents cash deposits in escrow account in relation to our IPO commenced in 2015, separately from cash and cash equivalents.

In October 2018, the FASB released ASU No. 2018-17, "*Consolidation ("ASC 810"): Targeted Improvements*" to Related Party Guidance for Variable Interest Entities, which improves the consistency of the application of the variable interest entity related party guidance for common control arrangements. The amendments require reporting entities to consider indirect interests held through related parties under common control on a proportional basis rather than as the equivalent of a direct interest in its entirety (as currently required in GAAP) when determining whether a decision-making fee is a variable interest. ASU 2018-17 will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and early adoption is permitted. The amendments should be applied retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. The Company does not expect that the adoption will have a material impact on our financial condition or results of operations.

Note 3 – NONCONTROLLING INTEREST

Beijing Jiate Information Technology Co., Ltd. ("Jiate") holds 49% equity interest in HTCC starting January 31, 2017 pursuant to an investment agreement entered between HTCC, its parent company Taiying and Jiate in July 2016.

On April 10, 2018, HTCC declared a dividend of RMB5 million to Taiying and HTCC. The dividend was allocated based on the equity interest percentage as of the date of declaration. As a result, $355,232 was distributed to Jiate on December 14, 2018.

Note 4 – EQUITY INVESTMENTS

On November 12, 2016, the Company entered into two separate investment agreements with Beijing Ling Ban Future Technology Co., Ltd. ("Ling Ban") and Beijing Ling Ban Intelligence Online Services Co., Ltd. ("Ling Ban Online"), pursuant to which the Company agreed to invest RMB18 million (approximately $2,592,000 at the time) and RMB6 million (approximately $864,000 at the time) in Ling Ban and Ling Ban Online, in order to obtain 6% and 10% equity interest in Ling Ban and Ling Ban Online, respectively. The Company further agreed to acquire an additional 10% equity interest in Ling Ban Online from Ling Ban for RMB6 million (approximately $864,000).

During the year ended December 31, 2017, the Company transferred a total of RMB24 million ($3,509,404) to Ling Ban and Ling Ban Online, which represents 6% and 10% equity interest in Ling Ban and Ling Ban Online, respectively. On July 24, 2017, the Company entered into a supplemental agreement with Ling Ban, pursuant to which both parties consented to revoke the right the Company has to purchase of the additional 10% equity interest in Ling Ban Online from Ling Ban. The Company accounts for the investments at the amount of the Company's initial investment as the Company is unable to exercise significant influence on the investees.

Tai'an Taiying Wealth and Equity Investment and Management Co., Ltd. ("TWIC") was established on March 9, 2018 by David Wang, the Chief Financial Officer of the Company. As of the filing date, TWIC has not conducted any operations. The Company intends to invest RMB2 million (approximately $290,000) in TWIC and has so far invested RMB10,000, or $1,461. Also see Note 11.

Upon the adoption of ASU 2016-02 effective January 1, 2018, The Company elected to account for the investments in Ling Ban, Ling Ban Online and TWIC at cost, less impairment, plus or minus changes resulting from observable price changes in orderly transaction for identical or similar investments of the same issuer, if any, using the measurement alternative due to lack of readily determinable fair values, pursuant to ASC 321.

The Company makes a qualitative assessment of whether the investments is impaired at each reporting date. No impairment loss was identified during the year ended December 31, 2018.

The following table entails the carrying value and change of the Company's investments in Ling Ban, Ling Ban Online and TWIC made in the years ended December 31, 2018 and 2017.

	For the year ended Dec 31, 2018	For the year ended Dec 31, 2017
Beginning Balance	$ 3,688,676	$ -
Investment made to Ling Ban	-	2,645,672
Investment made to Ling Ban Online	-	863,732
Investment made to TWIC	1,461	-
Translation adjustment	(198,484)	179,272
Ending Balance	$ 3,491,653	$ 3,688,676

Note 5 – ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, consists of the following:

	December 31, 2018	December 31, 2017
Accounts receivable	$ 30,472,846	$ 24,135,940
Less: Allowance for doubtful accounts	(422,340)	(446,357)
Accounts receivable, net	$ 30,050,506	$ 23,689,583

The changes in allowance for doubtful accounts consist of the following:

	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017	For the Year Ended December 31, 2016
Balance, beginning of the year	$ 446,357	$ -	$ 22,535
Provision for doubtful accounts	-	429,803	33,993
Uncollectible receivables written-off	-	-	(56,010)
Translation adjustments	(24,017)	16,554	(518)
Balance, end of the year	$ 422,340	$ 446,357	$ -

Note 6 – OTHER CURRENT ASSETS

Other current assets mainly consist of other receivables and deposits. Other receivables principally include advances to employees for business travel or business development purpose and other miscellaneous receivables such utility fees, social insurances, and personal income tax paid in advances on behalf of employees. Deposits include guarantee deposit, rent deposit, and security deposit for bidding customer projects. As of December 31, 2018 and 2017, other current assets consist of the following:

	December 31,	
	2018	2017
Other receivables	$ 557,401	$ 195,397
Deposits	1,402,522	889,186
Others	-	346
Total other current assets	$ 1,959,923	$ 1,084,929

Note 7 – PROPERTY AND EQUIPMENT, NET

As of December 31, 2018 and 2017, property and equipment consist of the following:

	December 31, 2018	December 31, 2017
Electronic equipment	$ 11,512,111	$ 9,160,462
Office furniture and equipment	2,272,278	2,205,517
Motor vehicles	694,844	650,842
Construction in progress	344,348	784,317
Computer software	713,021	470,761
Leasehold improvements	2,704,269	1,557,931
Total property and equipment	18,240,871	14,829,830
Accumulated depreciation	(9,950,411)	(8,762,492)
Property and equipment, net	$ 8,290,460	$ 6,067,338

Depreciation expense for the years ended December 31, 2018, 2017 and 2016 was $2,635,242, $1,852,152, and $1,542,352, respectively.

For the year ended December 31, 2018, the Company acquired property and equipment on credit in the amount of $88,112. For the year ended December 31, 2017, the Company acquired property and equipment on credit in the amount of $267,856, among which $15,539 is acquired through a related party. For the year ended December 31, 2016, the Company acquired property and equipment on credit in the amount of $672,715, among which $238,353 is acquired through a related party. See Note 11 for further discussion.

Note 8 – ACCRUED LIABILITIES AND OTHER PAYABLES

Accrued liabilities and other payables mainly consist of bonus payables, VAT and other taxes payables, and other accrued liabilities. Other accrued liabilities principally include accrued network rental expense in the telecommunication industry, unpaid travel expense, accrued professional service expense, and rent payable for leased offices and apartments.

	December 31,	
	2018	2017
Bonus payables	$ 2,121,957	$ 1,529,791
VAT and other taxes payables	774,290	1,677,755
Other accrued liabilities	2,776,912	1,517,277
Total accrued liabilities and other payables	$ 5,673,159	$ 4,724,823

Note 9– DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

The components of the deferred tax assets and liabilities are as follows:

	December 31,	
	2018	2017
Deferred tax assets		
Revenue and expense cutoff	$ 204,904	$ 78,456
Allowance for doubtful accounts	359,789	235,007
Loss carryforward	526,855	1,709,433
	1,091,548	2,022,896
Less: valuation allowance	(526,855)	(1,709,433)
	$ 564,693	$ 313,463
Deferred tax liability		
Depreciation of property and equipment	$ 78,684	$ -

For the purpose of presentation in the consolidated balance sheets, certain deferred income tax assets and liabilities have been offset. The following is the analysis of the deferred income tax balances for financial reporting purpose:

	December 31,	
	2018	2017
Deferred tax assets	$ 486,009	$ 313,463
Deferred tax liabilities	$ -	$ -

Note 10 – SHORT TERM LOANS

On December 18, 2017, the Company borrowed a one-year loan of $3,780,490 from Bank of China, bears an annual interest rate of 5.22%. The loan was repaid on December 17, 2018.

On January 18, 2018, the Company borrowed a one-year loan of $3,891,596 from Bank of China, bears an annual interest rate of 5.22%. The loan was repaid on January 17, 2019.

Both loans are guaranteed by Gary Wang, David Wang, Guoan Xu, and their family spouses.

The interest expenses for the years ended December 31, 2018, 2017 and 2016 were $404,958, $1,609 and $50,383, respectively.

Note 11 – RELATED PARTY TRANSACTIONS

The related parties had transactions for the years ended December 31, 2018, 2017 and 2016 consist of the following:

Name of Related Party	Nature of Relationship
Guoan Xu	Shareholder, Director and Vice President
Beijing Taiying Anrui Holding Co., Ltd. (“Beijing Taiying”)	Sole Shareholder
Shandong Luk Information Technology Co., Ltd. (“Shandong Luk”)	Controlled by the brother of Gary Wang, the Chief Executive Officer of the Company
Chongqing Shenggu Human Resources Co., Ltd. (“CSHR”)	Controlled by Beijing Taiying
Chongqing Taiying Shiye Development Co., Ltd. (“Shiye”)	David Wang being a 5% shareholder
Beijing Jiate Information Technology Co., Ltd. (“Jiate”)	Noncontrolling shareholder of HTCC
Jiangsu Sound Valley Human Resource Management Co., Ltd. (“JSVH”)	Controlled by Gary Wang
Jinan Shenggu Human Resources Management Co., Ltd. (“JSHR”)	Controlled by Gary Wang
Beijing Shenggu Education Investment Co., Ltd. (“BSEI”)	Controlled by Gary Wang
Tai’an Taiying Wealth and Equity Investment and Management Co., Ltd. (“TWIC”)	David Wang being the legal person of TWIC

Notes receivable from related party

As of December 31, 2017, the Company had receivable from Shiye in the amount of $968,277, which was presented as notes receivable – related party in the consolidated balance sheets. On April 10, 2018, the Company and Shiye entered into an agreement, pursuant to which Shiye agreed to settle the remaining outstanding balance due to the Company before December 31, 2018. The Company has not received the payment and decided to reserve an allowance for all the outstanding balance from Shiye as the Company does not expect to collect from Shiye within a reasonable period of time.

Investment in related party company

On September 13, 2018, the Company invested in TWIC in the amount of RMB10,000, or $1,461. TWIC was established on March 9, 2018 by David Wang. As of the filing date, TWIC has not conducted any operations.

As of December 31, 2018, the balance of equity investment in TWIC was included in equity investments in the consolidated balance sheets.

Revenues from related party

The Company was the subcontractor of Shandong Luk. The Company did not generate any related party revenues from Shandong Luk for the years ended December 31, 2018, 2017, and 2016. During the year ended December 31, 2016, the Company decided to reserve an allowance for all outstanding receivable balance from Shandong Luk as the Company does not expect to collect from Shandong Luk within a reasonable period of time.

Services provided by related parties

The Company subcontracted projects to Shandong Luk and Shandong Luk provided services in the amount of $0, $67,440, and $485,304 for the years ended December 31, 2018, 2017, and 2016, respectively, which were included in the cost of revenues. The Company does not have any outstanding balance owed to Shandong Luk as of December 31, 2018 and 2017.

BSEI leased certain office space at Zaozhuang Software and Service Industrial Park with a total area of 18,000 square meters, of which 6,500 square meters were subleased to ZSEC at a price of RMB0.5 per square meter per day, from July 1, 2018 to January 1, 2021. Lease expense incurred for the BSEI lease for the year ended December 31, 2018 was $88,441. As of December 31, 2018, the balance of lease payables to BSEI was $0.

Jiate acts as an intermediary agent and receives commission for referring customers to HTCC. Jiate charged the Company $121,397, $193,142 and $188,319 for the customers it referred to the Company during the years ended December 31, 2018, 2017 and 2016, which was included in selling, general and administrative expenses. As of December 31, 2018 and 2017, the balance owed to Jiate was $55,339 and $46,661, respectively.

JSVH, JSHR and Beijing Taiying provided service to the Company in the amount of $553,305, $35,089, and $0, respectively, during the year ended December 31, 2018, and $42,060, $0, and $108,453, respectively, during the year ended December 31, 2017. The expense from which were included in selling, general and administrative expenses. As of December 31, 2018 and 2017, the collective balance owed to JSVH, JSHR and Beijing Taiying was $106,773 and $0, respectively.

Prepayment made to related party

In the year ended December 31, 2018, the Company advanced Beijing Taiying $95,244, representing prepayment for future services. As of December 31, 2018 and 2017, the balance of prepayment to related party was $91,618 and $0, respectively.

Due from related party

Due from related party represents non-secured, interest free, short-term loan CSHR obtained from the Company, which was due on demand. As of December 31, 2018 and 2017, the balance of due from related party was $199,994 and $219,051, respectively.

Subsequent to year end, CSHR repaid approximately $45,000 of the outstanding balance.

Due to related parties

For the years ended December 31, 2018, 2017, and 2016, Guoan Xu paid expenses on behalf of the Company in the amount of $0, $0, and $1,746, respectively, and the Company made repayment to Guoan Xu in the amount of $0, $1,717, and $0, respectively. As of December 2018 and 2017, the balance owed to Guoan Xu was $0.

For the years ended December 31, 2018, 2017, and 2016, the Company purchased property and equipment through Jiate in the amount of $0, $15,539, and $238,353, respectively, The Company made payment to Jiate in the amount of $0, $472,197, and $0 during the years ended December 31, 2018, 2017, and 2016, respectively.

Note 12 – MAJOR CUSTOMERS AND CREDIT RISK

The Company had two customers for the year ended December 31, 2018 that contributed 10% or more of total net revenues. The account receivable balance due from each of these two customers also accounted for 10% or more of accounts receivable as of December 31, 2018.

The Company had one customer including its provincial subsidiaries for the year ended December 31, 2017 that contributed 10% or more of total net revenues. The account receivable balance due from this customer also accounted for 10% or more of accounts receivable as of December 31, 2017.

The Company had two customers including their provincial subsidiaries in the year ended December 31, 2016 that contributed 10% or more of total net revenues. The account receivable balance due from each of these two customers also accounted for 10% or more of accounts receivable as of December 31, 2016.

The loss of one or more of its significant customers could have a material adverse effect on the Company’s business, operating results, or financial condition. The Company does not require collateral from its customers. To limit the Company’s credit risk, management performs periodic credit evaluations of its customers and maintains allowances for uncollectible accounts. Although the Company’s accounts receivable could increase dramatically as the Company grows its sales, management does not believe significant credit risk exists as of December 31, 2018 and 2017.

Note 13 – INCOME TAXES

British Virgin Islands (“BVI”)

Under the current laws of BVI, China Customer Relations Centers, Inc. is not subject to tax on income or capital gain. In addition, payments of dividends by the Company to their shareholders are not subject to withholding tax in the BVI.

Hong Kong

The Company’s subsidiary, CBPO, is incorporated in Hong Kong and has no operating profit or tax liabilities during the period. CBPO is subject to tax at 16.5% on the assessable profits arising in or derived from Hong Kong.

PRC

The Company’s subsidiary, VIE and VIE’s subsidiaries registered in the PRC are subject to PRC Enterprise Income Tax (“EIT”) on the taxable income in accordance with the relevant PRC income tax laws. On March 16, 2007, the National People’s Congress enacted a new enterprise income tax law, which took effect on January 1, 2008. The law applies a uniform 25% enterprise income tax rate to both foreign invested enterprises and domestic enterprises. According to the tax law, entities that qualify as high and new technology enterprises (“HNTE”) supported by the PRC government are allowed a 15% preferential tax rate instead of the uniform tax rate of 25%. The qualification of HNTE will be renewed after evaluation by relevant government authorities every three years.

On April 6, 2012, State Administration of Taxation circulated the Announcement on Enterprise Income Tax Regarding Further Implementing the Western China Development Strategy (the “Announcement”), effective retroactively on January 1, 2011, pursuant to which a qualified enterprise will be granted for a preferential tax rate of 15%.

For the year ended December 31, 2018, Taiying, Central BPO, JTTC, SCBI, JTIS, HTCC, ZSEC and JXTT were entitled to a preferential EIT rate of 15% pursuant to the qualification of being HNTE, and XTTC was entitled to a preferential EIT rate of 15% as it was a qualified enterprise as indicated in the Announcement; For the year ended December 31, 2017, Taiying, Central BPO, JTTC, SCBI, JTIS, HTCC, and JXTT were entitled to a preferential EIT rate of 15% pursuant to the qualification of being HNTE, and XTTC was entitled to a preferential EIT rate of 15% as it was a qualified enterprise as indicated in the Announcement; For the year ended December 31, 2016, Taiying was entitled to a preferential EIT rate of 15% pursuant to the qualification of being HNTE.

Other PRC entities are subject to the 25% EIT rate of their taxable income.

The provision for income taxes consists of the following:

	For the Years Ended December 31,		
	2018	2017	2016
Current	$ 3,163,789	1,539,515	$ 1,554,060
Deferred	(196,909)	(283,861)	(105,137)
Total	$ 2,966,880	1,255,654	$ 1,448,923

The reconciliations of the PRC statutory income tax rate and the Company's effective income tax rate are as follows:

	For the Years Ended December 31,		
	2018	2017	2016
PRC statutory income tax rate	25%	25%	25%
Effect of income tax exemptions and reliefs	(2.79%)	(14.59%)	(7.36%)
Effect of expenses not deductible for tax purposes	0.21%	0.47%	0.39%
Effect of income not taxable	-	-	(0.49%)
Effect of additional deduction allowed for tax purposes	(8.57%)	(0.22%)	(2.66%)
Effect of valuation allowance on deferred income tax assets	1.17%	2.66%	0.00%
Effect of income tax rate difference under different tax jurisdictions	0.89%	1.13%	1.73%
Others	(0.83%)	(2.34%)	(1.61%)
Total	15.08%	12.11%	15.00%

Accounting for Uncertainty in Income Taxes

The tax authority of the PRC Government conducts periodic and ad hoc tax filing reviews on business enterprises operating in the PRC after those enterprises complete their relevant tax filings. Therefore, the Company's PRC entities' tax filings results are subject to change. It is therefore uncertain as to whether the PRC tax authority may take different views about the Company's PRC entities' tax filings, which may lead to additional tax liabilities.

ASC 740 requires recognition and measurement of uncertain income tax positions using a "more-likely-than-not" approach. The management evaluated the Company's tax positions and concluded that no provision for uncertainty in income taxes was necessary as of December 31, 2018 and 2017.

Notes 14 – COMMITMENTS

The Company leases facilities with expiration dates between January 2019 and May 2026. Rental expense for the years ended December 31, 2018, 2017 and 2016 was $3,611,640, $2,733,265, and $1,783,888, respectively. The Company has future minimum lease obligations as of December 31, 2018 as follows:

2019	$ 3,817,578
2020	2,517,457
2021	1,183,802
2022	1,029,210
2023	959,173
Thereafter	227,262
Total	$ 9,734,482

JTIS leased offices and apartments located in Huai'an Economic and Technology Development District (the "District"). To attract more business in the newly constructed business center, the local government provided incentive to all companies located in the District by offering free office rent for certain period of time. The lease expires between June 2019 and December 2019. For the year ended December 31, 2018, JTIS was provided ten offices and four apartments free of charge by the local government.

Note 15 – STATUTORY RESERVES

According to the Company Law in the PRC, companies are required to set aside 10% of their after-tax profit to general reserves each year, based on the PRC accounting standards, until the cumulative total of such reserves reaches 50% of the registered capital. These general reserves are not distributable as cash dividends to equity owners. The Company had appropriated $3,916,149 and $2,597,031 to statutory reserves as of December 31, 2018 and 2017, respectively.

Note 16 – SUBSEQUENT EVENTS

On January 17, 2017, the Company repaid the $3,891,596 loan borrowed from Bank of China on January 18, 2018.

On March 19, 2019, the Company borrowed a one-year loan of RMB25 million from Bank of China, bears an effective annual interest rate of 4.785%. The loan is guaranteed by Gary Wang, David Wang, Guoan Xu, and their family spouses.

Effective February 25, 2019, Taiying, the Company's VIE, increased its registered capital from RMB10 million to RMB36 million by transferring RMB26 millions out of its accumulated earnings to its registered capital.

Exhibit 8.1

CHINA CUSTOMER RELATIONS CENTERS, INC.

List of Subsidiaries

Company Name	Country of Incorporation/Formation	Ownership
China BPO Holdings Limited	Hong Kong	Wholly owned subsidiary of China Customer Relations Centers, Inc.
Shandong Juncheng Information Technology Co., Ltd.	China	Wholly owned subsidiary of China BPO Holdings Limited

Exhibit 12.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Gary Wang, Chief Executive Officer of China Customer Relations Centers, Inc. (the “Company”), certify that:

1. I have reviewed this annual report on Form 20-F of the Company;

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 Company as of, and for, the periods presented in this report;

4. The Company’s other certifying officer and I are 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 Company 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 Company, 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 Company’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 Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and

5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’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 Company’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 Company’s internal control over financial reporting.

Date: April 26, 2019

By: /s/ Gary Wang
Name: Gary Wang
Title: Chief Executive Officer

Exhibit 12.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David Wang, Chief Financial Officer of China Customer Relations Centers, Inc. (the “Company”), certify that:

1. I have reviewed this annual report on Form 20-F of the Company;

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 Company as of, and for, the periods presented in this report;

4. The Company’s other certifying officer and I are 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 Company 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 Company, 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 Company’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 Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and

5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’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 Company’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 Company’s internal control over financial reporting.

Date: April 26, 2019

By: /s/ David Wang
Name: David Wang
Title: Chief Financial Officer

Exhibit 13.1

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Gary Wang, Chief Executive Officer of China Customer Relations Centers, Inc. (the "Company"), hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Company's annual report on Form 20-F for the fiscal year ended December 31, 2018 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company at the dates and for the periods indicated.

Date: April 26, 2019

By: /s/ Gary Wang
Name: Gary Wang
Title: Chief Executive Officer

Exhibit 13.2

CERTIFICATION BY THE CHIEF FINANCIAL OFFICER
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, David Wang, Chief Financial Officer of China Customer Relations Centers, Inc. (the “Company”), hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Company’s annual report on Form 20-F for the fiscal year ended December 31, 2018 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company at the dates and for the periods indicated.

Date: April 26, 2019

By: /s/ David Wang
Name: David Wang
Title: Chief Financial Officer