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深圳市明華澳漢科技股份有限公司

Shenzhen Mingwah Aohan High Technology Corporation Limited *

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

(Stock Code: 8301)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of Shenzhen Mingwah Aohan High Technology Corporation Limited* (深圳市明華澳漢科技股份有限公司) (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the audited annual results of the Group for the year ended 31 December 2019. This announcement, containing the full text of the 2019 Annual Report of the Company, complies with the relevant content requirements of Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") in relation to preliminary announcements of the annual results. The Company's 2019 Annual Report will be dispatched to the shareholders of the Company, and available for viewing on the "Latest Company Announcements" page on the GEM website at www.hkgem.com and on the "Investor" page of the Company's website at www.mwcard.com in due course.

By order of the Board
Shenzhen Mingwah Aohan High Technology Corporation Limited
Zhang Tao
Chairman

Shenzhen, the PRC, 30 June 2020

* *For identification purposes only*

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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This report, for which the directors (the "Directors") of Shenzhen Mingwah Aohan High Technology Corporation Limited (the "Company", together with its subsidiaries, the "Group") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

Contents

Corporate Information

BOARD OF DIRECTORS (THE "BOARD")

Executive Directors

Mr. Zhang Tao *(Chairman and chief executive officer)*
Ms. Wang Hong (resigned on 27 June 2019)
Mr. Huang Qing (appointed on 14 March 2019 and resigned on 10 September 2019)
Mr. Lang Yu (appointed on 27 June 2019)
Mr. Liu Jianfeng (appointed on 10 September 2019)

Non-Executive Directors

Mr. Zhou Liang Hao
Mr. Chan Ngai Fan (re-designated as a non-executive Director on 8 January 2019 and resigned on 18 March 2019)

Independent Non-Executive Directors

Mr. Yu Xiuyang
Mr. Lau Shu Yan (resigned on 9 April 2020)
Mr. Wei Wei (appointed on 20 March 2019)
Mr. You Xiaohua (resigned on 20 March 2019)

Supervisors

Ms. Zou Liping (ceased on 30 April 2019)
Ms. Ge Deng (retired on 17 May 2019)
Mr. Zhou Jie
Mr. You Xiaohua (elected on 30 April 2019)
Ms. Huang Sanhuan (appointed on 17 May 2019)

AUDIT COMMITTEE

Mr. Wei Wei *(Chairman)* (appointed on 20 March 2019 and act as chairman on 9 April 2020)
Mr. Lau Shu Yan *(Chairman)* (resigned and ceased to be chairman on 9 April 2020)
Mr. Yu Xiuyang
Mr. You Xiaohua (resigned on 20 March 2019)

NOMINATION COMMITTEE

Mr. Zhang Tao *(Chairman)* (appointed as chairman on 9 April 2020)
Mr. Yu Xiuyang
Mr. Lau Shu Yan *(Chairman)* (resigned and ceased to be chairman on 9 April 2020)

REMUNERATION COMMITTEE

Mr. Yu Xiuyang *(Chairman)*
Mr. Wei Wei (appointed on 20 March 2019)
Mr. You Xiaohua (appointed on 18 March 2019 and resigned on 20 March 2019)
Mr. Chan Ngai Fan (resigned on 18 March 2019)
Mr. Lau Shu Yan (resigned on 9 April 2020)

CHIEF EXECUTIVE OFFICER

Mr. Zhang Tao

COMPANY SECRETARY

Ms. Liu Pui Shan (resigned on 14 June 2019)
Ms. Leung Hoi Yan (appointed on 14 June 2019)

COMPLIANCE OFFICER

Mr. Zhang Tao

AUTHORIZED REPRESENTATIVES

Ms. Liu Pui Shan (resigned on 14 June 2019)
Ms. Leung Hoi Yan (appointed on 14 June 2019)
Mr. Zhang Tao

AUDITOR

KTC Partners CPA Limited

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 5D, JINRUN BUILDING (金潤大廈)
SHEN NAN Avenue 6019, Futian District
Shenzhen, Guangdong Province
the People's Republic of China
Zip Code: 518000

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 913, 9/F., Woon Lee Commercial Building
7–9 Austin Avenue, Tsim Sha Tsui
Kowloon, Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shop 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

China Minsheng Bank
Ping An Bank

COMPANY'S WEBSITE

www.mwcard.com

GEM STOCK CODE

8301

Chairman's Statement

For and on behalf of the Board, I hereby present the audited annual results of the Company and its subsidiaries (collectively referred to hereinafter as the "Group") for the year ended 31 December 2019.

BUSINESS PERFORMANCE AND REVIEW

For the year ended 31 December 2019, the Group recorded a revenue of approximately RMB50,273,000 (2018: approximately RMB74,672,000); while the Group's loss attributable to owners of the Company was approximately RMB37,427,000 as compared with the profit attributable to owners of the Company of approximately RMB759,000 for the year ended 31 December 2018.

The decrease in revenue during the Year was mainly attributable to the decrease in sales of liquor products for the year ended 31 December 2019. Due to the anti-graft campaign in the PRC which adversely influenced the sales of the Moutai liquor, the Group did not record any revenue from the Wine Business for the three months ended 31 March 2019. As the result of the Group adjusting its business strategies to leverage on distribution channel and customer base for trading of liquor products in the PRC, the revenue attributable to the Wine Business for the year ended 31 December 2019 was approximately RMB40,009,000 (2018: approximately RMB63,206,000).

In addition to the decrease in sales of liquor products, the decrease in profit during the Year was mainly attributable to (a) the impairment losses under expected credit loss model of approximately RMB15,133,000 (2018: nil) due to the increase in trade and other receivables with longer average credit period; (b) the impairment loss on intangible assets of approximately RMB8,915,000 (2018: RMB nil) due to the decrease in the Group's revenue from the card products; (c) the impairment loss on interests in joint ventures of approximately RMB4,972,000 (2018: nil); and (d) the decrease in other income and other gains and losses to approximately RMB1,152,000 (2018: approximately RMB3,391,000) and RMB nil (2018: approximately RMB2,687,000), respectively, due to the decrease in refund in the value-added tax, the written-off of the trade and other payables and the decrease in net gain on disposal of subsidiaries during the year ended 31 December 2019.

OUTLOOK

The year 2020 will be full of challenges with the epidemic (the "COVID-19 Outbreak") associated with a novel coronavirus, in addition to the intensified market competition and the anti-graft campaign in the PRC.

Since early 2020, the COVID-19 Outbreak has spread across China and other countries and may adversely affect the economy, infrastructure and livelihood of the people in the PRC, which in turn may adversely impact domestic consumption and the Group's business, financial position and results of operations.

In the attempt to control the COVID-19 Outbreak, the relevant PRC authorities have adopted a series of quarantine and crowd-control measures, including the regional traffic control, restrictions or crowd-controlling measures preventing the gathering of people. These quarantine and crowd-control measures caused difficulties or restrictions for employees to travel to the relevant work sites or attend to work and discouraged social activities and gatherings. As the result, the Group's business and financial position could be adversely affected if the COVID-19 Outbreak persists. The Group will pay close attention to the development of the COVID-19 Outbreak and evaluate the impact on its future financial position and operating results.

In order to mitigate the impact of the COVID-19 Outbreak and other risks faced by the Group from time to time, the Board will continue to review and adjust its strategy to explore further business opportunities, and make necessary adjustments where necessary.

The Company continues to seek other suitable opportunities to diversify its sources of income and is actively looking for candidates that can further broaden and enrich the management's expertise and experience and assist the Company in executing an appropriate business strategy to better position the Company in a highly competitive business environment.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express their thanks and gratitude to the Group's management and staff who dedicated their endless efforts and devoted services, and to its shareholders, investors and business partners for their continuous support.

Zhang Tao
Chairman
Shenzhen, the PRC, 30 June 2020

* For identification purpose only

Management Discussion and Analysis

BUSINESS AND OPERATIONS REVIEW

For the year ended 31 December 2019 (the "Year" or the "year under review"), the Group has been principally engaged in the business of (i) the provision of application development services and the sale of IC cards, magnetic cards related equipment and application systems in the People's Republic of China (the "PRC") (the "Card and Related Products Business"); and (ii) trading of liquor products in the PRC (the "Wine Business").

The Card and Related Products Business

The market competition for the traditional card products and related application systems became intensified in 2018.

Revenue of approximately RMB10,264,000 (2018: approximately RMB11,466,000) attributable to the Card and Related Products Business for the year ended 31 December 2019 were mainly derived from ten (2018: five) contracts for its application system and application development services. During the Year, Card and Related Products Business recorded a segment loss of approximately RMB1,959,000 (2018: approximately RMB6,035,000 as segment profit).

The Wine Business

The Group commenced its Wine Business in the last quarter of 2016 with a view to diversify its income source and enhance its financial performance. For furtherance of its Wine Business, the Group (i) entered into strategic partnership with Googut Wine & Spirits Co, Ltd ("Googut", together with its subsidiaries the "Googut Group") in 2016; (ii) formed two joint venture companies respectively in the PRC and Hong Kong in 2017; and (iii) entered into a memorandum of understanding and the strategic cooperation agreement with Googut in 2017. The Googut Group is a professional and integrated operator of alcoholic beverage which has been well established distribution channel and broad customer base in the PRC.

Due to the anti-graft campaign in the PRC which adversely influenced the sales of the Moutai liquor, the Group did not record any revenue from the Wine Business for the three months ended 31 March 2019. As the result, the Group reformulated its business strategies with Googut to leverage on Googut's distribution channel and customer base in the PRC, and recorded the revenue of approximately RMB16,655,000 from the Wine Business for the three months ended 30 September 2019 (three months ended 30 September 2018: approximately RMB319,000), representing a growth of approximately 51.2% from revenue of in the corresponding period of 2018.

During the year ended 31 December 2019, the Group has entered into 16 (2018: eight) sales contracts for Chinese white wine Maotaijiu (茅台酒). Due to the adverse effect caused by factors including the antigraft campaign in the PRC as mentioned above, the revenue attributable to the Wine Business for the year ended 31 December 2019 was approximately RMB40,009,000 (2018: approximately RMB63,206,000); whilst the segment profit of the Wine Business for the year ended 31 December 2019 was approximately RMB2,788,000 (2018: approximately RMB1,051,000). The Board will continue to adjust its strategy to explore further business opportunities of the Group's Wine Business and review the performance of the distribution channels and make necessary adjustments as and when necessary.

FINANCIAL REVIEW

For the year ended 31 December 2019, the Group recorded a revenue of approximately RMB50,273,000, representing a decrease of approximately 32.7% as compared with the revenue of approximately RMB74,672,000 in the previous year. The decrease in revenue was mainly attributable to the decrease in sales of liquor products for the year ended 31 December 2019.

The gross profit of the Group for the year ended 31 December 2019 amounted to approximately RMB5,050,000, with a decrease of approximately 59.8% as compared with the gross profit of approximately RMB12,566,000 in the previous year due to significant decrease in revenue during the Year. The gross profit margin for the year ended 31 December 2019 decreased from 16.8% to 10.0% as compared with last year. The decrease in gross profit margin was mainly attributable to the decrease in the profit margin of Card and Related Products Business.

Other income, other gains and losses amounted to approximately RMB1,152,000 (2018: approximately RMB6,078,000) for the year ended 31 December 2019, representing an decrease of approximately RMB4,926,000 compared with last year. The decrease was primarily attributable to the decrease in refund of the value-added tax, the written-off of the trade and other payables and the decrease in net gain on disposal of subsidiaries during the year ended 31 December 2019.

Distribution and selling expenses decreased by approximately 91.6% from approximately RMB2,142,000 for the year ended 31 December 2018 to approximately RMB179,000 for the year ended 31 December 2019. The decrease was mainly due to the decrease in distribution and sales of products during the Year.

For the year ended 31 December 2019, the Group's general and administrative expenses remained relatively stable of approximately RMB12,606,000 (2018: approximately RMB15,162,000).

For the year ended 31 December 2019, the finance cost increased by 6.99 times to approximately RMB1,071,000 as compared to approximately RMB134,000 in the previous year, as a result of the increase in loan facilities entered into by the Group.

During the year ended 31 December 2019, the income tax expense amounted to approximately RMB751,000 (2018: approximately RMB182,000).

For the year ended 31 December 2019, the Group's loss attributable to owners of the Company was approximately RMB37,427,000 as compared with the profit attributable to owners of the Company of approximately RMB759,000 for the year ended 31 December 2018. The decrease in profit was mainly attributable the decrease in sales of liquor products, the decrease in other income, other gains and losses, the impairment losses under expected credit loss model, the impairment loss on intangible assets and the impairment loss on interest in joint ventures during the Year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Financial position

As at 31 December 2019, the Group had net current liabilities of approximately RMB21,508,000 (2018: approximately RMB717,000), representing an increase of RMB20,791,000 compared with last year. The increase was mainly attributable to the increase in trade and other payables and other borrowings.

Current assets as at 31 December 2019 comprised inventories of approximately RMB9,418,000 (2018: RMB1,446,000), trade and other receivables of approximately RMB53,826,000 (2018: approximately RMB49,412,000), contract costs of nil (2018: approximately RMB596,000) and bank balances and cash of approximately RMB231,000 (2018: approximately RMB1,678,000).

Current liabilities as at 31 December 2019 comprised trade and other payables of approximately RMB61,808,000 (2018: approximately RMB43,928,000), income tax payable of approximately RMB2,178,000 (2018: approximately RMB1,429,000), lease liabilities of approximately RMB292,000 (2018: nil), other borrowings of approximately RMB15,556,000 (2018: approximately RMB8,492,000); and amounts due to shareholders of approximately RMB5,149,000 (2018: approximately RMB3,649,000 as non-current liabilities).

Gearing ratio

The gearing ratio of the Group was not applicable as the Group had a net working capital deficiency as at 31 December 2019. (2018: approximately 63%).

Capital commitments

Details of capital commitments were set out in Note 34 to the consolidated financial statements.

Financial resources

At 31 December 2019, the Group had bank balances and cash of approximately RMB231,000 (2018: RMB1,678,000).

Capital structure

Details of the share capital of the Company are set out in Note 28 to the consolidated financial statements.

Disposal and deregistration of subsidiaries

Details of the disposal and deregistration of subsidiaries are set out in Note 29 to the consolidated financial statements.

SEGMENTAL INFORMATION

Details of the segment information of the Group are set out in Note 6 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group had 17 (2018: 39) full time employees.

The Group recorded a decrease in workforce for the year ended 31 December 2019 because the Group had streamlined the organisation structure and focused on more profitable businesses.

The Group attaches great importance to our employees, because our employees is the most precious assets of the Group in developing its traditional business and open up to new business and also the foundation of future development of the Group. The Group will provide our employees with the training courses related to personal development and practical work as much as possible allowed by its own condition, which encourage them to further enrich themselves and work together to build team spirit and raise morale. The Group will reward employees according to the Group's results, as well as their business performance and the contribution to the Group through their personal performance.

The Company has established a remuneration committee (the "Remuneration Committee" or "RC") to make recommendations on the overall strategy of remuneration policies.

CHARGES ON THE GROUP'S ASSETS

At 31 December 2019, there were no assets pledged as collateral for the Group's borrowings (2018: Nil).

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed herein, the Group did not have any details of future plans for material investment or capital assets as at 31 December 2019.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's results of operations, financial condition and growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group's businesses. The risk factors set out below are those that could result in the Group's results of operations, financial condition and growth prospects differing materially from expected or historical results. Such factors are by no means exhaustive or comprehensive and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Management Discussion and Analysis (continued)

Operation Risk

Reliance on a limited number of large customers

Sales to the largest customer and top three customers accounted for 28.5% and 67.0% of the Group's turnover for the year ended 31 December 2019 (2018: 53.3% and 78.7%). There is no assurance that the demand for the products of the Group from these customers can be maintained in the future. In the event that the demand from them decreases significantly and the Group is unable to find replacement customers on terms acceptable to the Group, results of operations of the Group may be adversely affected.

Business Risk

Rapid changes in technology

The Group operates in a market which is characterised by rapid changes in technology, industry standards, customer preferences and frequent introductions and enhancements of products and services. Accordingly, the performance of the Group will depend on its ability to improve the functions and reliability of its products and services and adapt to new industry standards and customer preferences. In the event that the Group fails to adapt successfully to such changes, the results of operations and growth prospects of the Group may be adversely affected.

Financial Risk

The Group is exposed to a variety of key financial risks including mainly credit risk, details of the key risks and risk mitigation measures are elaborated in Note 32 to the consolidated financial statements.

FOREIGN EXCHANGE EXPOSURE

Since most of the income and expenditure of the Group were received and paid in Renminbi, the local currency of the place where the Group principally operates in, the Directors do not consider that the Group was significantly exposed to any foreign currency exchange risk.

LITIGATIONS

As at 31 December 2019, there was no significant legal claims against the Group.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2019 (2018: Nil).

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices has always been one of the Group's goals. The Company believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to the enhancement of shareholders' value.

The Board has adopted the code provisions as set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. Continuous efforts are made to review and enhance the Group's internal controls and procedures in light of changes in regulations and developments of best practices. Maintaining high standards of corporate governance practices is not only complying with the provisions but also enhancing corporate performance and accountability.

During the Year, the Company complied with the code provisions in the CG Code with the exception of the following code provisions:

In respect of the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. After the appointment of Mr. Zhang Tao as the chief executive officer of the Company (the "CEO") on 8 February 2018, he served as both the chairman of the Board (the "Chairman") and the CEO. By taking into account the current circumstances of the Group as a whole, the Board considers Mr. Zhang Tao, being a key leadership of the Group, as a suitable candidate to be the CEO, ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board will consider splitting the roles of Chairman and CEO at a time when it is appropriate. Therefore, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance. In addition, under the supervision of the Board which is comprised of three executive Directors, one non-executive Director and two independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

In respect of the code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings. Mr. Zhou Liang Hao, Mr. Yu Xiuyang, Mr. Lau Shu Yan and Mr. Wei Wei did not attend the annual general meeting of the Company held on 17 May 2019 due to their own business engagements.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") pursuant to the requirements in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry with all Directors who were holding office as a director during the year ended 31 December 2019, the Directors confirmed that they had complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions during the Year.

The Company adopted a code of conduct regarding securities transactions by the relevant employees of the Group who are considered likely to be in possession of unpublished price sensitive information of the Group on no less exacting terms than the Model Code in relation to their dealings in the securities of the Company pursuant to Code Provision A.6.4 of the CG Code. To the best knowledge and belief of the Directors, all relevant employees have complied with the required standard of such code.

BOARD OF DIRECTORS

The Board comprises six Directors, of whom three are executive Directors, one is non-executive Director (the "NED") and two are independent non-executive Directors (the "INED"). Details of backgrounds and qualifications of the Chairman and the other Directors are set out on the page 24 and 25 of this annual report. The participation of non-executive Director in the Board brings independent judgment on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders of the Company (the "Shareholder(s)") have been duly considered.

For the year ended 31 December 2019, the Board fulfilled the minimum requirement of having at least three INEDs as required by the GEM Listing Rules and the number of INEDs is more than one-third of the members of the Board as noted above. The Company met the requirement of having INED with appropriate professional qualification or professional accounting or financial management expertise.

Following the resignation of Mr. Lau Shu Yan as an INED effective from 9 April 2020, the number of INED falls below the minimum number required under Rule 5.05(1) of the GEM Listing Rules. The number of members of the audit committee of the Company (the "AC") falls below the minimum number required under Rule 5.28 of the GEM Listing Rules. The Company no longer fulfils the requirements under Rule 5.05(2) of the GEM Listing Rules that at least one of the INED must have appropriate professional qualifications or accounting or related financial management expertise. The Company will endeavour to identify suitable candidate to fill the vacancy, and in any event, within 3 months from the effective date of Mr. Lau's resignation pursuant to the GEM Listing Rules.

The Company has received, from each of the INEDs who were holding office as director during the year ended 31 December 2019, an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the INEDs are independent of the Company.

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. The term of appointment pursuant to the service agreement of Mr. Yu Xiuyang is for a term of three years commencing from November 2018. The term of appointment pursuant to appointment letter with Mr. Wei Wei is for a term of three years with effect from 20 March 2019. The term of appointment pursuant to the service contract with Mr. Zhou Liang Hao is for a term of three years with effect from August 2019. The non-executive Directors are subject to the requirement that one-third of all the Directors shall retire from office by rotation at each annual general meeting of the Company pursuant to the articles of association (the "Articles of Association") of the Company.

The Board held a board meeting at least at each quarter or in case there is important decision to make.

The Attendance of Directors and Committee Members

The Directors' attendances of the meetings of the Board, the AC, the RC, the nomination committee of the Company (the "NC") and general meetings of the Company during the year ended 31 December 2019 are as follows:

	Number of meetings attended/Number of meetings				
Name of Directors	**The Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meetings**
Executive Directors					
Mr. Zhang Tao *(Chairman and CEO)*	4/4	N/A	N/A	5/5	1/1
Ms. Wang Hong (resigned on 27 June 2019)	0/2	N/A	N/A	N/A	0/1
Mr. Huang Qing (appointed on 14 March 2019 and resigned on 10 September 2019)	3/3	N/A	N/A	N/A	0/1
Mr. Lang Yu (appointed on 27 June 2019)	2/2	N/A	N/A	N/A	N/A
Mr. Liu Jianfeng (appointed on 10 September 2019)	1/1	N/A	N/A	N/A	N/A
Non-Executive Directors					
Mr. Zhou Liang Hao	2/4	N/A	N/A	N/A	0/1
Mr. Chan Ngai Fan (re-designated as a non-executive Director on 8 January 2019 and resigned on 18 March 2019)	1/1	N/A	2/2	N/A	N/A
Independent Non-Executive Directors					
Mr. Yu Xiuyang	4/4	4/4	4/4	5/5	1/1
Mr. Lau Shu Yan (resigned on 9 April 2020)	4/4	4/4	4/4	5/5	1/1
Mr. Wei Wei (appointed on 20 March 2019)	3/3	3/3	2/2	N/A	0/1
Mr. You Xiaohua (resigned on 20 March 2019)	1/1	1/1	3/3	N/A	N/A

RESPONSIBILITIES OF THE BOARD

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating, approval and monitoring the Group's overall strategies and policies, authorising the development plan and budget; monitoring and evaluating financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards.

The Board delegates day-to-day operations of the Group to executive Directors and senior management, while reserving certain key matters for its approval; and the day-to-day management, administration and operation of the Group to management. Decisions of the Board are communicated to the management through executive Directors who have attended at Board meetings. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

The Board may discharge its corporate governance duties by establishment of board committees and delegation of certain management and administration functions to the management.

BOARD DIVERSITY POLICY

The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Board adopted a board diversity policy (the "Board Diversity Policy") which sets out the approach to achieve and maintain diversity on the Board.

Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to, skills, regional and industry experiences, cultural and educational background, ethnicity, gender and other qualities. The Company also takes into consideration of its own business model and specific needs from time to time in determining the optimal composition of the Board.

NC will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time, and propose to the Board for amendments when necessary.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All Directors are appointed for a specific term which may be extended as each of them and the Company may agree. The current Articles of Association provide that subject to the manner of retirement by rotation of Directors as from time to time prescribed by the GEM Listing Rules, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years.

PROFESSIONAL DEVELOPMENT

To assist the Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. All Directors also participate in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. Records of the training received by the respective Directors are kept and updated by the company secretary of the Company (the "Company Secretary"). According to the records provided by the Directors, a summary of training received by the Directors during the year ended 31 December 2019 is as follows:

Name of Directors	Reading seminar materials and updates relating to the latest development of the GEM Listing Rules and other applicable regulatory requirements	Attending seminars, programmes, conferences relevant to the business or directors duties
Executive Directors		
Mr. Zhang Tao *(Chairman and CEO)*	–	✓
Ms. Wang Hong (resigned on 27 June 2019)	✓	✓
Mr. Huang Qing (appointed on 14 March 2019 and resigned on 10 September 2019)	–	✓
Mr. Lang Yu (appointed on 27 June 2019)	✓	✓
Mr. Liu Jianfeng (appointed on 10 September 2019)	✓	✓
Non-Executive Directors		
Mr. Zhou Liang Hao	–	✓
Mr. Chan Ngai Fan (re-designated as a non-executive Director on 8 January 2019 and resigned on 18 March 2019)	✓	✓
Independent Non-Executive Directors		
Mr. Yu Xiuyang	–	✓
Mr. Lau Shu Yan (resigned on 9 April 2020)	–	✓
Mr. Wei Wei (appointed on 20 March 2019)	✓	✓
Mr. You Xiaohua (resigned on 20 March 2019)	–	✓

AUDIT COMMITTEE

During the year ended 31 December 2019, the AC comprised Mr. Yu Xiuyang, Mr. Wei Wei (who was appointed on 20 March 2019), Mr. You Xiaohua (who resigned on 20 March 2019) and Mr. Lau Shu Yan (who was also the chairman of the AC and resigned on 9 April 2020). As at the date of this report, the AC comprises two (2) INEDs, namely, Mr. Wei Wei (chairman of the AC) and Mr. Yu Xiuyang. The terms of reference of the AC are available at the Company's website and on the website of the Stock Exchange.

Following the resignation of Mr. Lau Shu Yan effective from 9 April 2020, the number of AC members falls below the minimum number required under Rule 5.28 of the GEM Listing Rules. The Company endeavours to identify suitable candidate to fill the vacancy.

AC has primary responsibility for monitoring the quality of internal control and risk management system and ensuring that the financial performance of the Company is properly measured and reported on, receiving and reviewing reports from management and the auditors relating to the annual, interim and quarterly accounts, and monitoring the accounting and internal control system and risk management system in use throughout the Group. The AC is also responsible for developing and reviewing the Company's policies and practices on corporate governance; reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report; and reviewing and monitoring the training and continuous professional development of directors and senior management and the Company's policies and practices on compliance with legal and regulatory requirements; and etc.

At the meetings held during the Year in performing its duties in accordance with its terms of reference, the work performed by the AC included:

(a) review and supervise the financial reporting process and internal control and risk management systems of the Company and its subsidiaries;

(b) recommendation to the Board, for the approval by Shareholders, of the re-appointment of KTC Partners CPA Limited as the external auditor and approval of their remuneration;

(c) determination of the nature and scope of the audit;

(d) review the financial statements for the relevant periods;

(e) review the accounting principles and practices adopted by the Group with the management and the Company's auditor; and

(f) review the compliance with the CG Code, the disclosure in the corporate governance report, the Company's policies and practices on corporate governance.

REMUNERATION COMMITTEE

During the year ended 31 December 2019, the remuneration committee of the Company (the "RC"), comprised Mr. Yu Xiuyang, Mr. Wei Wei (who was appointed on 20 March 2019), Mr. Lau Shu Yan (who resigned on 9 April 2020), Mr. You Xiaohua (who was appointed on 18 March 2019 and resigned on 20 March 2019) and Mr. Chan Ngai Fan (who resigned on 18 March 2019). As at the date of this report, the RC comprises two (2) INEDs, namely, Mr. Yu Xiuyang (chairman of the RC) and Mr. Wei Wei. The terms of reference of the RC are available at the Company's website and on the website of the Stock Exchange.

The roles and functions of the RC include consulting the Chairman about the remuneration proposals for other executive Directors, making recommendation to the Board on the Company's remuneration policy and structure for all Directors' and senior management. The RC has adopted the approach under the code provisions to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. The Directors are remunerated with reference to their respective duties and responsibility with the Company, the Company's performance and current market situation.

During the Year, the RC reviewed the Group's remuneration policy and structure; and reviewed the remuneration packages of the executive Directors and senior management of the Company.

Details of emoluments of the Directors for the Year are disclosed in Note 15 to the financial statements and the retirement benefit schemes are disclosed in Note 15 to the financial statements.

NOMINATION COMMITTEE

During the year ended 31 December 2019, the NC comprised Mr. Yu Xiuyang, and Mr. Lau Shu Yan (who was also the chairman of the NC until his resignation with effect from 9 April 2020) and Mr. Zhang Tao (who was appointed as the chairman of the NC on 9 April 2020). As at the date of this report, the NC comprises the chairman of the Board, Mr. Zhang Tao, one (1) INED, Mr. Yu Xiuyang. The terms of reference of the NC are available at the Company's website and on the website of the Stock Exchange.

The roles and functions of the NC include reviewing the structure, size and composition of the Board, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship (if necessary), assessing the independence of the INEDs and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

During the Year, the NC reviewed the structure, size and composition of the Board and the policy and procedures for nomination of Directors and assessed the independence of INEDs.

DIRECTOR NOMINATION POLICY

Director nomination policy of the Group is in place to set out the procedures, process and criteria for identifying and recommending candidates for election to the Board of Directors. In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the card related products, liquor products and/or other professional areas.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The management provides such explanation and information to the Board and reports regularly to the Board on financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information to be put before the Board for approval.

The Directors acknowledge their responsibilities (as set out in the Independent Auditor's Report to this annual report on page 36) for preparing the financial statements of the Group, that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders of the Company. A statement by auditor about their reporting responsibility is set out in the Independent Auditor's Report to this annual report on page 37.

RISK MANAGEMENT AND INTERNAL CONTROL

During the Year, the Group complied with code provision C.2 of the CG Code by establishing appropriate and effective risk management and internal control systems. Management of the Company is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. The risk management and internal control systems, under a defined management structure with limits of authority, are designed for the Group to identify and manage the significant risks to pursue its business objectives, safeguard its assets against unauthorised use or disposition, enhance effectiveness and efficiency of its operations, ensure the maintenance of proper accounting records for reliable financial reporting, and ensure compliance with relevant laws and regulations. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The risk management process is structured from management of the Group from respective business functions at execution level to the Board in decision-making and monitoring level. The system comprises the following phases:

- *Identification:* Management of the Group identifies, assesses and prioritises the key existing and potential risks through a detailed assessment process and determines the appropriate mitigation strategies and control measures in response of the identified risks.

- *Evaluation:* Ongoing analysis of the likelihood and impact of risks and evaluation and monitoring of the identified risks, respective measures, and such are carried out and reported by the management to the Board regularly.

- *Management:* The Board at decision-making level reviews the risk appetite, risk management process and strategies and also the internal control systems and provide recommendations for any improvement on the systems in an ongoing basis to ensure risk management effectiveness.

Based on the risk assessments conducted in 2019, no significant risk was identified.

Internal Control System

The Company has put in place an internal control system which enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follows:

- *Control Environment:* A set of standards, processes and structures that provides the basis for carrying out internal control across the Group.

- *Risk Assessment:* A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

- *Control Activities:* Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.

- *Information and Communication:* Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- *Monitoring:* Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure in achieving business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Group enters into significant negotiations.

- The executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in 2019, no significant control deficiency was identified.

The review of the risk management and internal control systems of the Group is an ongoing process and the Board maintains a continuing commitment to strengthen the Group's control environment and processes.

INTERNAL AUDIT FUNCTION

The Company does not have an internal audit department. The Company engaged an external professional firm to carry out an internal control review on the internal control system of the Group during the year ended 31 December 2019. The review covers certain business cycles and procedures undertaken by the Group, and make recommendations for improving and strengthening the internal control system.

The review of the risk management and internal control system is conducted annually and the results are reported to the Board via AC. No significant area of concern that may affect the financial, operational, compliance, control and risk management of the Group has been identified.

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment; and (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

During the Year, the Board, through its reviews and the reviews made by the AC, reviewed the effectiveness of the Group's risk management and internal control systems. The Company considered the Group's risk management and internal control systems are effective and adequate. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

Auditor's Remuneration

During the financial year ended 31 December 2019, the fees paid/payable to the Company's auditor is set out as follows:

Services Rendered	**Fees paid/ payable** RMB'000
Audit services	926
Non-audit services	170
Total	1,096

COMPANY SECRETARY

Ms. Liu Pui Shan resigned as the Company Secretary with effect from 14 June 2019. The Company engaged Ms. Leung Hoi Yan, who have been working with BPO Global Services Limited, as the Company Secretary with effect from 14 June 2019. Its primary corporate contact person at the Company is Mr. Zhang Tao, the executive Director of the Company.

SUPERVISORY COMMITTEE

During the year ended 31 December 2019, the supervisory committee of the Company (the "Supervisory Committee") comprised members, namely Mr. Zhou Jie, Mr. You Xiaohua (who was elected on 30 April 2019), Ms. Huang Sanhuan (who was appointed on 17 May 2019), Ms. Zou Liping (who ceased to be member on 30 April 2019) and Ms. Ge Deng (who retired on 17 May 2019). As at the date of this report, the Supervisory Committee comprises Mr. Zhou Jie, Mr. You Xiaohua and Ms. Huang Sanhuan.

The Supervisory Committee is responsible for exercising supervision over the Board and its members and the senior management; and preventing them from abusing their power and authorities and infringing on the legitimate rights and interests of the Shareholders, the Company and the employees. During the year ended 31 December 2019, the Supervisory Committee reviewed the financial positions of the Group and launched various activities to adhere to the principle of good faith. One meeting of Supervisory Committee were held during the year ended 31 December 2019.

DIVIDEND POLICY

The Company may only pay dividends after the following allocations have been made:

- outstanding losses, if any;
- statutory surplus reserve;
- statutory public welfare fund; and
- discretionary surplus reserve (subject to Shareholders' approval).

The respective allocation to statutory surplus reserve and statutory public welfare fund shall be 10% and 5% to 10% of the profit after tax of the company respectively determined in accordance with the PRC accounting standards. Pursuant to the PRC law, the distributable reserves of the Company shall be the net profit determined in accordance with the PRC accounting standards or accounting principles generally accepted in Hong Kong (whichever is lower) after the allocations to statutory surplus reserve, statutory public welfare fund and discretionary surplus reserve.

As the Company does not have any pre-determined dividend distribution ratio, the declaration of dividends is subject to the discretion of the Directors, and the amount of dividends actually declared and paid to holders of H Shares will also depend upon the following factors:

- overall operating results of the Company;
- financial results of the Company;
- capital requirements of the Company;
- interests of Shareholders;
- credit rating of the Company; and
- any other factors which the Directors may deem relevant.

In accordance with the Articles of Association, the cash dividends on H Shares shall be declared in Renminbi but shall be paid in Hong Kong dollars. The conversion of Renminbi into Hong Kong dollars shall comply with the regulations of the PRC on foreign currency control. Renminbi shall be converted into Hong Kong dollars at the average conversion rate quoted by the PBOC during the week immediately before the date on which the payment of dividends is declared. If the Company does not have sufficient foreign currency for payment of dividends in Hong Kong dollars, it will obtain the necessary Hong Kong dollars by converting Renminbi through authorized banks and other financial institutions.

SHAREHOLDERS' RIGHTS

(a) Rights and Procedures for Shareholders to Convene a General Meeting

Pursuant to Article 8.04 of the Articles of Association, the Board of Directors shall hold an extraordinary meeting of Shareholders within two months, where one Shareholder holding at least 10% of the shares with the voting rights issued by the Company requires the holding of an extraordinary meeting of Shareholders in writing;

Pursuant to Article 8.25 of the Articles of Association, if Shareholders ask to convene an extraordinary meeting of Shareholders or class shareholders' meeting, the following procedures shall apply:

(1) Two or more Shareholders holding more than 10% or more of the shares with the voting rights at the proposed meeting can sign one or more written requests with the same format and contents, requesting the Board of Directors convene an extraordinary meeting of Shareholders or class Shareholders' meeting, and stating the topics of the meeting. After receipt of the aforesaid written request, the Board of Directors shall hold the extraordinary meeting of Shareholders or the meeting of class Shareholders as soon as possible. The number of shares held are calculated as of the date on which the Shareholders come up with the written request; and

(2) If the Board of Directors does not distribute the notice on holding the meeting within 30 days after receipts of the aforesaid written request, the shareholder putting forward such requirement can convene the meeting on his own within four months after the Board of Directors receives such request, and the convening procedure should strive to be the same as the procedure with which the Board of Directors convenes the general meeting of Shareholders;

The requisition must specify the objects of the meeting, be signed by the requisitionists, and be deposited at the principal place of business of the Company in Hong Kong, specifying the shareholders' contact details and the resolution intended to be put forward at general meeting.

Pursuant to the Article 8.07 of the Articles of Association, the Company will calculate the shares with the voting right represented by the Shareholders planning to attend the meeting according to the written reply received 20 days before the general meeting of Shareholders is held. The Company can hold the general meeting of Shareholders when the shares with the voting right represented by the Shareholders planning to attend the meeting exceed more than half of the total shares of the Company with the voting right; and otherwise, the Company shall notify the Shareholders again of the issues to be reviewed, the date and the venue of the meeting in the form of announcement within 5 days, and then the Company can hold the general meeting of Shareholders.

(b) Procedures for Putting Forward Proposals at General Meetings

Pursuant to the Article 8.06 of the Articles of Association, if the Company holds the general meeting of Shareholders, the Board of Directors, the board of supervisors and the Shareholders holding more than 3% of the Company shares either independently or collectively shall have the right to submit proposals to the Company. The contents of the proposal shall fall into the authority of the general meeting of Shareholders, have clear topics and concrete issues for resolution and comply with relevant provisions of the laws, regulations and the Articles of Association. Such proposals shall be delivered to the Company within 30 days after the sending of the aforesaid notice. The convener shall distribute a supplementary notice on the General Meeting of Shareholders within 2 working days after receipt of such proposals, announce the contents of such temporary proposals, and moderately postpone the meeting.

(c) Procedures for Shareholders to Propose for Election as a Director

For including a resolution to propose a person for election as a Director at general meeting, Shareholders are requested to follow the Articles of Association. Pursuant to the Article 10.02 of the Articles of Association, the written notice on the intent to nominate a candidate for director and the intent of the candidate to accept the nomination shall be delivered to the Company's principal place of business of the Company in Hong Kong for the attention of the Company Secretary after the date when the notice on the general meeting of Shareholders is sent and seven days before the holding of the general meeting of Shareholders.

In order for the Company to inform its Shareholders of that proposal, the written notice must state the full name of the person proposed for election as a director, include the person's biographical details as required by the GEM Listing Rules, and be signed by the shareholder concerned and that person indicating his/her willingness to be elected.

(d) Right and Procedures for Shareholders to Put Enquiries to the Board

Shareholders should direct their questions about their shareholdings to the Company's branch share registrar in Hong Kong. Shareholders may at any time make a request for the Company's information to the extent that such information is publicly available.

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the Company Secretary or by email to us at szmw@mwcard.com.

INVESTORS' RELATIONS

The Company places great emphasis on its relationship and communication with investors. The Company has numerous communication channels, such as press conference and seminars, to communicate with the media, analysts and fund managers. Designated senior management staff holds dialogue with analysts, fund managers and investors, who are also arranged to visit the Company and investment projects from time to time, so as to keep them abreast of the Group's business and latest developments. In addition, investors can also visit the Company's website at www.mwcard.com for the most updated information and the status of the business development of the Group.

CONSTITUTIONAL DOCUMENTS

During the Year, there had been no significant change in the Company's constitutional documents.

By an ad hoc resolution passed by the shareholders at the extraordinary general meeting of the Company held on 3 February 2020, the article 1.03 of the Articles of Association was amended as follows:

Registered office:	Room 5D, JINRUN BUILDING (金潤大廈) SHEN NAN Avenue 6019, Futian District, Shenzhen, Guangdong Province, the People's Republic of China (previously known as "Room 5D, Jinrun Building Chegongmiao, Futian District, Shenzhen, Guangdong Province, the People's Republic of China")
Zip Code:	518000
Telephone number:	(0755) 83361971/83361998
Facsimile number:	(0755) 83361990

COMMUNICATION WITH SHAREHOLDERS

The Board and senior management recognise the responsibility of safeguarding the interest of shareholders of the Company and provide highly transparent and real-time information on the Company so as to keep the shareholders and investors abreast of the Company's position and help them to make the best investment decision. The Company believes that maintaining good and effective communication with shareholders can facilitate the shareholders' understanding of the business performance and strategies of the Group. The Company reports its financial and operating performance to shareholders through annual reports, interim reports and quarterly reports. Shareholders of the Company can also obtain information of the Group in time through annual reports, interim reports, quarterly reports, announcements, circulars, press releases and the Company's website www.mwcard.com.

Directors and Supervisors

DIRECTORS

Executive Directors

Mr. Zhang Tao, aged 39, has served as an executive Director and the Chairman since 11 April 2017 and 11 January 2018, respectively. He has been appointed as the Chief Executive Officer, an authorised representative of the Company and a compliance officer of the Company since 8 February 2018. He was appointed as the chairman of the nomination committee of the Company on 9 April 2020. He has over 10 years of experience in the management of companies in the information technology industry. Before joining the Company, he worked as the chairman and general manager of Beijing Fengdong Technology Limited, a company specialized in development of software and hardware products. He holds a bachelor degree with major in Media Studies from Massey University in New Zealand. He served as the chief information officer of Fast Key Holdings Limited from July 2016 to June 2017. Since July 2017, he has served as the chief information officer of Mingwah Aohan Investment Group Limited, a subsidiary of the Company, and is responsible for information management and provision of administrative support to the Group.

Mr. Lang Yu, aged 48, is an executive Director appointed on 27 June 2019. He obtained a bachelor degree in international trades from the University of International Business and Economics (對外經濟貿易大學) in 1993 and a master degree in business administration degree from the University of Miami in 1999. Prior to joining the Company, he worked in Googut Wine & Spirits Co., Ltd* (歌德盈香股份有限公司) from March 2014 to May 2019 where he was promoted to the position of vice president. From December 2011 to March 2014, he worked as the vice-general manager of DeWe Hodling Group Co., Ltd* (德威控股集團有限公司). Mr. Lang has over 10 years of experience in business administration and has worked in multinational conglomerates as well as a governmental body. Mr. Lang is currently also a director of Googut Mingwah (Hong Kong) Limited (the "HKJV"), a joint venture company formed between the Group and Googut Wine & Spirits Trading Company Limited, where the Group is interested in 40% of the entire issued share capital of the HKJV.

Mr. Liu Jianfeng, aged 52, is an executive Director appointed on 10 September 2019. Mr. Liu, obtained a bachelor degree in engineering for macromolecular materials from Beijing Institute of Chemical Technology* (北京化工學院) (now known as Beijing University of Chemical Technology (北京化工大學) in July 1970. From April 2012 to August 2019, Mr. Liu worked as the vice president of Googut Wine & Spirits Co., Ltd* (歌德盈香股份有限公司) ("Googut").

Non-Executive Director

Mr. Zhou Liang Hao, aged 44, is a non-executive Director appointed on 4 August 2016. He has rich experience in financial management, corporate governance, supply chain management and high technology areas. Since 2007, he has been the chief financial officer of Zhong Tian Tai Fu (Beijing) Technology Limited. Before that, he worked in Beijing Guang Gu Technology Limited from 1997 to 2007 and was the chief financial controller in 2007. He graduated with a Bachelor Degree in Thermal Engineering from Beijing University of Technology in 1999.

Directors and Supervisors (continued)

Independent Non-Executive Directors

Mr. Yu Xiuyang, aged 65, is an independent non-executive Director appointed on 1 September 2015. He is currently the chairman of the remuneration committee of the Company and the members of the audit committee and the nomination committee of the Company. He graduated from the Faculty of Law at Shanghai University in 1998, and worked as the member of the Legal Publicity Division of Shanghai Bureau of Justice, the head of the research department of the Shanghai Law Society and the associate editor of Shanghai Journal of Legal Studies in 1997. In 2003, he founded Sunglow Elite Law Firm and serves as the head of the firm. He was the executive director and vice president of Glorious Property Holdings Limited, a company listed on the Stock Exchange, from February 2009 to April 2014, and he retired in June 2014. He currently serves as the head of Sunglow Elite Law Firm. He was an executive director of DL Holdings Group Limited (formerly known as Season Pacific Holdings Limited) (Stock code: 1709) from May 2018 to November 2019.

Mr. Wei Wei, aged 43, is an independent non-executive Director appointed on 20 March 2019. He is currently the members of the audit committee and the remuneration committee of the Company. He was appointed as the chairman of the audit committee of the Company on 9 April 2020. He graduated from Jilin University（吉林大學）in July 1999 with major in economic law. Mr. Wei has more than six years of experience in the legal industry. He has been a PRC practicing lawyer of Shanghai Huiye Law Office* (上海市匯業律師事務所) since June 2006.

SUPERVISORS

Mr. Zhou Jie, aged 28, obtained a college diploma in computer applications technology from Hubei Xianning Vocational Technical College (湖北咸寧職業技術學院) in June 2013. From March 2014 to January 2017, he worked as a network maintenance officer in Shenzhen Everwin Precision Technology Co, Ltd. (深圳市長盈精密技術股份有限公司). He is currently an IT staff in Nitto Denko Fine Circuit Technology (Shenzhen) Co., Ltd. (日東精密回路技術深圳有限公司) since September 2017.

Mr. You Xiaohua, aged 41, obtained a bachelor degree in law from Changzhou University (常州大學) (formerly known as "Jiangsu Institute of Petrochemical Technology (江蘇石油化工學院)") in July 2002. From December 2016 to June 2018, he worked as the general manager and the secretary of the board of directors of Beijing Golong Technology Development Co., Ltd (北京國農基業科技發展股份有限公司) ("Beijing Golong") which is a company listed on National Equities Exchange and Quotations (stock code: 832425). From July 2002 to September 2015, he worked as the deputy director of the legal department of Sinopec Sales Company Limited (中國石化銷售有限公司). He was an independent non-executive Director and a member of the audit committee of the Company from July 2018 to March 2019; and a member of the remuneration committee of the Company in March 2019. He is currently a director of Beijing Golong since December 2016 and a general manager of the Shanghai branch of the Company since 20 March 2019.

Ms. Huang Sanhuan, aged 28, graduated from a distance learning programme provided by Henan Vocational Technical College (河南職業技術學院) in July 2014 with a major in production management. Ms. Huang worked in Shenzhen Honghui Technology Co., Ltd. (深圳市閎輝科技有限公司) from March 2008 to June 2013 as a production line manager. She has been working in Shenzhen Junhe Tongde Technology Co., Ltd. (深圳市鈞合通德科技有限公司) as a quality manager since March 2017.

Directors and Supervisors (continued)

COMPLIANCE OFFICER

Mr. Zhang Tao is the compliance officer of the Company appointed on 8 February 2018. He will advise on and assist the Board in implementing procedures to ensure that the Company complies with the GEM Listing Rules and other relevant laws and regulations applicable to the Company and responding promptly and efficiently to all enquiries directed to him by the Stock Exchange.

Report of Supervisory Committee

To the Shareholders,

The Supervisory Committee of the Company, in compliance with the relevant laws and regulations and the Articles of Association, has conducted its work in accordance with the fiduciary principle, and has taken up an active role to work seriously and with diligence to protect the interests of the Company and its shareholders.

During the Year, the Supervisory Committee had reviewed cautiously the development plans of the Company and provided reasonable suggestions and opinions to the Board. It also strictly and effectively monitored and supervised the Company's management in making significant policies and decisions to ensure that they are in compliance with the laws and regulations of the PRC and the Articles of Association, and in the interests of its shareholders.

We have reviewed and agreed to the report of the Directors and audited consolidated financial statements for presentation at the forthcoming annual general meeting. We are of the opinion that the Directors and other senior management of the Company are able to strictly observe their fiduciary duty, to act diligently, to exercise their authority faithfully in the best interests of the Company and to work in accordance with the Articles of Association. The operation is becoming more regulated and the internal control is becoming more perfect. The transactions between the Company and connected parties are in the interests of the shareholders as a whole and under fair and reasonable price.

Up till now, none of the Directors, chief executive and senior management staff had been found to have abused their authority, damaged the interests of the Company or infringed upon the interests of its shareholders and employees. None of them was found to be in breach of any laws and regulations or the Articles of Association. The Supervisory Committee is satisfied with the achievement and cost-effectiveness of the Company in 2018 and has great confidence in the future of the Company.

By Order of the Supervisory Committee
Shenzhen Mingwah Aohan High Technology Corporation Limited

Mr. You Xiaohua
Shenzhen, the PRC, 30 June 2020

Directors' Report

The Board have pleasure in presenting their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in (i) the Card and Related Products Business; and (ii) the Wine Business. A detailed business review for the Year, including further discussions of important events occurred since the end of the financial year, likely future development of the Group's business and financial performance review with financial key performance indicators, are set out in "Chairman's Statement" on page 3 to 4, and "Management Discussion and Analysis" on page 5 to 9, respectively. These discussions form part of this report of the Directors. The ESG under Environmental, Social and Governance Reporting Guide as specified in Appendix 20 of the GEM Listing Rules will be published in a separate report. To build a solid foundation for the Group's sustainable development, the Group recognises its employees, customers and business partners being the key stakeholders and maintain a continuous dialogue with them. The Group is dedicated to establish a close and supporting relationship with its employees, provide quality products and services to customers and strengthen all kinds of cooperation with its business partners.

PRINCIPAL RISKS AND UNCERTAINTIES

Details of principal risks and uncertainties of the Group are set out in "Management Discussion and Analysis" on page 8 to 9.

SEGMENTAL INFORMATION

An analysis of the Group's revenue and results by products for the year ended 31 December 2019 is set out in Note 6 to the consolidated financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

During the Year, the largest supplier accounted for approximately 21% of the purchases of the Group.

The largest customer accounted for approximately 29% of the revenue of the Group.

None of the Directors, the supervisors, their associates or any shareholders which, to the knowledge of the Directors, own more than 5% of the Company's issued share capital had any interest in the five largest suppliers or customers.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 38 of this annual report.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2019 (2018: nil).

FIVE YEARS' FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 104 of this annual report. This summary does not form part of the audited consolidated financial statements.

RESERVES

Movements in the reserves of the Group during the Year are set out in consolidated statement of changes in equity on page 40 of this annual report. The Company has no reserves available for distribution to shareholders as at 31 December 2019 and 31 December 2018.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the Year are set out in Note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in Note 28 to the consolidated financial statements.

BORROWINGS

Details of borrowings of the Group are set out in Note 26 to the consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Company is aware of, the Group has complied with applicable laws and regulations promulgated by the relevant regulatory bodies which are significant to the operations of the Group.

DIRECTORS AND SUPERVISORS

The Directors and supervisors during the Year and up to the date of this annual report were as follows:

Executive Directors

Mr. Zhang Tao *(Chairman and chief executive officer)*
Ms. Wang Hong (resigned on 27 June 2019)
Mr. Huang Qing (appointed on 14 March 2019 and resigned on 10 September 2019)
Mr. Lang Yu (appointed on 27 June 2019)
Mr. Liu Jianfeng (appointed on 10 September 2019)

Non-Executive Directors

Mr. Zhou Liang Hao
Mr. Chan Ngai Fan (re-designated as a non-executive Director on 8 January 2019 and resigned on 18 March 2019)

Independent Non-Executive Directors

Mr. Yu Xiuyang
Mr. Lau Shu Yan (resigned on 9 April 2020)
Mr. You Xiaohua (resigned on 20 March 2019)
Mr. Wei Wei (appointed on 20 March 2019)

Supervisors

Ms. Zou Liping (ceased on 30 April 2019)
Ms. Ge Deng (retired on 17 May 2019)
Mr. Zhou Jie
Mr. You Xiaohua (elected on 30 April 2019)
Ms. Huang Sanhuan (appointed on 17 May 2019)

In accordance with the provisions of the Articles of Association, the Directors and supervisors are elected at a shareholders' meeting of the Company for a term of three years, renewable upon re-election at re-appointment. Pursuant to article 10.02 of the Articles of Association, at each annual meeting of the shareholders of the Company, one third of the current directors (if the number of directors is not three or multiples of three, the number shall be the closest to, but no less than, one third) shall depart in rotation. Pursuant to code provision A.4.2 of Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Accordingly, Mr. Zhou Liang Hao (non-executive Director) and Mr. Yu Xiuyang (independent non-executive Director) will retire by rotation as Directors at the annual general meeting of the Company to be held on 28 August 2020 (the "AGM") and, being eligible, offer himself for re-election at the AGM.

Pursuant to article 10.02 of the Articles of Association, any Director appointed by the Board of Directors to fill a temporary vacancy shall hold office until next general meeting of the shareholders of the Company, and such person is qualified for reelection. Accordingly, Mr. Lang Yu and Mr. Liu Jianfeng, the executive Directors, will retire from office at the AGM and, being eligible, will offer themselves for re-election at the AGM.

MANAGEMENT CONTRACTS

Each of our Directors and supervisors has entered into a service contract with our Company for a term of three years from his/her date of appointment as a director or supervisor.

Under each service contract, subject to shareholders' approval in general meeting, either party may terminate the contract at any time by giving to the others not less than one month's prior written notice. No director or supervisor proposed for the re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DISCLOSURE OF INTERESTS

(a) Directors', chief executives' and supervisors' interest in shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2019, none of the Directors, supervisors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or required to be entered in the register pursuant to Section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

(b) Substantial shareholders' and other persons interests and short positions in the shares and underlying shares of the Company

So far as the Directors are aware, as at 31 December 2019, the persons or companies (not being a director, chief executive or supervisor of the Company) have interests and/or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO are listed as follows:

Name of substantial shareholder	Nature of interest	Number and class of securities (Note 1)	Approximate percentage of shares in the same class	Approximate percentage of total registered share capital
Googut Wine & Spirits Co., Ltd.* (歌德盈香股份有限公司) ("Googut")	Beneficial owner	228,240,000 domestic shares (L) (Note 2)	38.05%	28.53%
Shanghai Beiyan Enterprises Limited* (上海北燕實業有限公司) ("Shanghai Beiyan")	Beneficial owner	172,640,000 domestic shares (L)	28.78%	21.58%
Zheng Qi (鄭琪) (Note 3)	Interest in controlled corporation	172,640,000 domestic shares (L)	28.78%	21.58%

Directors' Report (continued)

Name of substantial shareholder	Nature of interest	Number and class of securities (Note 1)	Approximate percentage of shares in the same class	Approximate percentage of total registered share capital
Zhang Nan	Beneficial owner	110,000,000 domestic shares (L)	18.34%	13.75%
Zhuoyu Hengtai (Beijing) Safety Equipment Company Limited ("Zhuoyu Hengtai")	Beneficial owner	58,240,000 domestic shares (L) (Note 2)	9.71%	7.28%
Shenzhen Gangao Huijin Investment Company Limited	Beneficial owner	33,800,000 domestic shares (L)	5.64%	4.23%
Guo Fan	Beneficial owner	31,460,000 domestic shares (L)	5.25%	3.93%
Princeps MB Asset Management Corp.	Beneficial owner	11,416,000 H shares (L)	5.70%	1.43%

Notes:

1. The letter "L" denotes the shareholders' long position in the shares of the Company.

2. Based on the information provided by the relevant person(s), Googut was interested in (i) 170,000,000 domestic shares which were beneficially owned by Googut; and (ii) 58,240,000 domestic shares which were the subject matter of an equity transfer agreement dated 21 August 2019 entered into between Googut and Zhuoyu Hengtai. As at 31 December 2019, these 58,240,000 domestic shares were held by Zhuoyu Hengtai, subject to the completion of the equity transfer agreement.

3. Mr. Zheng Qi owned 80% of the shares of Shanghai Beiyan. By virtue of SFO, Mr. Zheng Qi is deemed to be interested in the shares of the Company held by Shanghai Beiyan.

* For identification purposes only

Save as disclosed above, as at 31 December 2019, the Company had not been notified by any person who had any interests and/or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' AND SUPERVISORS' RIGHT TO ACQUIRE H SHARES

As at 31 December 2019, none of the Directors, supervisors and chief executive of the Company was granted options to subscribe for H shares of the Company. As at 31 December 2019, none of the Directors, supervisors and chief executives of the Company had any rights to acquire H shares in the Company.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director or a supervisor of the Company had a material interest, whether directly or indirectly, subsisted as at 31 December 2019 at any time during the Year.

SHARE OPTION SCHEME

The Company has not granted or issued any option up to 31 December 2019.

RELATED PARTY AND CONTINUING CONNECTED TRANSACTIONS

Details of related party and continuing connected transactions of the Group, are set out in Note 36 to the consolidated financial statements.

The independent non-executive Directors have reviewed the connected transactions and continuing connected transactions in Note 35 to the consolidated financial statements and have confirmed that the connected transactions and continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and are in the interests of the shareholders of the Company as a whole.

The auditors of the Company have reviewed the continuing connected transactions during the years as set out in Note 35 to the consolidated financial statements and confirmed that these transactions:

(i) were approved by the Board of the Company;

(ii) where applicable, were in accordance with the pricing policies of the Company;

(iii) had been entered into in accordance with the relevant agreements governing the transactions; and

(iv) have not exceeded the caps stated in the relevant announcement.

PRE-EMPTIVE RIGHTS

According to the Articles and the laws of the PRC, there are no provisions for pre-emptive rights requiring the Company to offer new shares to the existing shareholders of the Company in proportion to their shareholdings.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of the annual report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

EVENTS AFTER THE REPORTING PERIOD

Save as to the amendments to the Articles of Association as mentioned under the section "CONSTITUTIONAL DOCUMENTS" of the Corporate Governance Report, there is no material event undertaken by the Company or the Group subsequent to 31 December 2019 and up to the date of this annual report.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the "Corporate Governance Report" on page 10 to 23 of this annual report.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company or their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Company during the year under review.

AUDITOR

The consolidated financial statements for the year ended 31 December 2019 were audited by Messrs. KTC Partners CPA Limited. A resolution for the re-appointment of Messrs. KTC Partners CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

By Order of the Board
Zhang Tao
Chairman

Shenzhen, the PRC, 30 June 2020

Independent Auditor's Report

KTC Partners CPA Limited
Certified Public Accountants (Practising)
和信會計師事務所有限公司

TO THE SHAREHOLDERS OF SHENZHEN MINGWAH AOHAN HIGH TECHNOLOGY CORPORATION LIMITED
(Incorporated in the People's Republic of China with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Shenzhen Mingwah Aohan High Technology Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 38 to 103, which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we are unable to form an opinion as to whether the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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Tel 電話：(852) 2314 7999 Fax 傳真：(852) 2110 9498 E-mail 電子郵箱：info@ktccpa.com.hk

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties relating to going concern

As described in note 3 to the consolidated financial statements, the Group incurred net loss of approximately RMB37,427,000 for the year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB21,508,000. The Group also incurred a net cash outflow of approximately RMB1,105,000.

These conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

Notwithstanding the abovementioned, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to repay, renew or extend existing borrowings and other liabilities upon their maturities, through cash flows from operations and continuing support from the Group's finance providers and creditors. The directors of the Company have prepared the consolidated financial statements on a going concern basis, having taken into account the measures they have taken and plan to take to mitigate the liquidity pressures on the Group and to improve the Group's financial position, as disclosed in note 3 to the consolidated financial statements. Up to the date of this report, we were unable to obtain sufficient supporting bases from the management for their underlying assumptions on going concern as set out in note 3 to the consolidated financial statements to satisfy ourselves that they were reasonable and supportable. Hence we were unable to assess the appropriateness or reasonableness of the use of the going concern assumption in the preparation of the consolidated financial statements.

Because of the significance of the matters above, we are unable to form an opinion as to whether the use of going concern assumption in the preparation of the consolidated financial statements is appropriate. Should the Group fails to achieve the intended effects resulting from the plans and measures as mentioned in note 3 to the consolidated financial statements, it might not be able to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code.

KTC Partners CPA Limited
Certified Public Accountants (Practising)
Chow Yiu Wah, Joseph
Audit Engagement Director
Practising Certificate Number: P04686

Hong Kong
30 June 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	5	**50,273**	74,672
Cost of sales		**(45,223)**	(62,106)
Gross profit		**5,050**	12,566
Other income	7	**1,152**	3,391
Other gains and losses	8	**–**	2,687
Impairment losses under expected credit loss model		**(15,133)**	–
Impairment loss on intangible assets	18	**(8,915)**	–
Impairment loss on interests in joint ventures	19	**(4,972)**	–
Distribution and selling expenses		**(179)**	(2,142)
General and administrative expenses		**(12,606)**	(15,162)
Finance costs	9	**(1,071)**	(134)
Share of loss of joint ventures		**(2)**	(12)
(Loss)/profit before taxation	10	**(36,676)**	1,194
Income tax expense	11	**(751)**	(182)
(Loss)/profit for the year		**(37,427)**	1,012
Other comprehensive loss			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**(463)**	(546)
Total comprehensive (loss)/income for the year		**(37,890)**	466
(Loss)/profit for the year attributable to:			
Owners of the Company		**(37,427)**	759
Non-controlling interests		**–**	253
		(37,427)	1,012
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(37,890)**	213
Non-controlling interests		**–**	253
		(37,890)	466
(Loss)/earnings per share			
Basic and diluted (RMB' cents)	12	**(4.68)**	0.09

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	16	**386**	535
Right-of-use assets	17	**797**	–
Intangible assets	18	**–**	8,915
Interests in joint ventures	19	**1**	4,975
Deposits	21	**–**	7,000
		1,184	21,425
Current assets			
Inventories	20	**9,418**	1,446
Trade and other receivables	21	**53,826**	49,412
Contract costs	22	**–**	596
Bank balances and cash	23	**231**	1,678
		63,475	53,132
Current liabilities			
Trade and other payables	24	**61,808**	43,928
Income tax payable		**2,178**	1,429
Lease liabilities	25	**292**	–
Other borrowings	26	**15,556**	8,492
Amounts due to shareholders	27	**5,149**	–
		84,983	53,849
Net current liabilities		**(21,508)**	(717)
Total assets less current liabilities		**(20,324)**	20,708
Non-current liabilities			
Lease liabilities	25	**507**	–
Amount due to a major shareholder	27	**–**	3,649
		507	3,649
Net (liabilities)/assets		**(20,831)**	17,059
Capital and reserves			
Share capital	28	**80,000**	80,000
Reserves		**(101,178)**	(63,288)
Equity attributable to owners of the Company		**(21,178)**	16,712
Non-controlling interests		**347**	347
(Capital deficiency)/equity		**(20,831)**	17,059

The consolidated financial statements on pages 38 to 103 were approved and authorised for issue by the board of directors on 30 June 2020 and are signed on its behalf by:

Mr. Zhang Tao
Director

Mr. Lang Yu
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (Note (a))	Statutory public welfare fund RMB'000 (Note (b))	Translation reserve RMB'000 (Note (c))	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018	80,000	71,974	5,954	2,978	(492)	(144,056)	16,358	94	16,452
Profit for the year	–	–	–	–	–	759	759	253	1,012
Other comprehensive loss for the year	–	–	–	–	(546)	–	(546)	–	(546)
Disposal of subsidiaries (Note 29)	–	–	–	–	141	–	141	19	160
Deregistration of subsidiaries (Note 29)	–	–	(914)	(567)	–	1,481	–	(19)	(19)
At 31 December 2018	**80,000**	**71,974**	**5,040**	**2,411**	**(897)**	**(141,816)**	**16,712**	**347**	**17,059**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(37,427)**	**(37,427)**	**–**	**(37,427)**
Other comprehensive loss for the year	**–**	**–**	**–**	**–**	**(463)**	**–**	**(463)**	**–**	**(463)**
At 31 December 2019	**80,000**	**71,974**	**5,040**	**2,411**	**(1,360)**	**(179,243)**	**(21,178)**	**347**	**(20,831)**

Notes:

(a) Statutory surplus reserve

Pursuant to the Company Law in the People's Republic of China (the "PRC"), the Company and its subsidiaries shall appropriate 10% of its profit after taxation each year to the statutory surplus reserve until the balance reaches 50% of the registered share capital. According to the provision of the Company's Articles of Association, in normal circumstances, the statutory surplus reserve shall only be used for marking up losses, capitalisation into share capital and expansion of the Company's operation. For the capitalisation of statutory surplus reserve into share capital, the remaining amount of such reserve shall not be less than 25% of the registered share capital.

(b) Statutory public welfare fund

Prior to 1 January 2006, the Company is required in each year to transfer 5% to 10% of the profit after taxation to the statutory public welfare fund. Starting from 1 January 2006 the Group is not required to transfer any profit after taxation to statutory public welfare fund in accordance with the amendment in the PRC Companies Ordinance.

(c) Translation reserve

Translation reserve is arising from the translation of foreign currencies in overseas subsidiaries from its functional currency to the Group's presentation currency.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
(Loss)/profit before taxation	**(36,676)**	1,194
Adjustments for:		
Amortisation of intangible assets	**–**	1,814
Impairment loss on intangible assets	**8,915**	–
Bank interest income	**(1)**	(4)
Depreciation of property, plant and equipment	**155**	144
Depreciation of right-of-use assets	**100**	–
Finance costs	**1,071**	134
Net gain on disposal of subsidiaries	**–**	(485)
Loss on deregistration of subsidiaries	**–**	70
Impairment loss on trade and other receivables	**15,133**	–
Impairment loss on interests in joint ventures	**4,972**	–
Waiver of other payables	**–**	(90)
Written off of property, plant and equipment	**–**	135
Share of loss of joint ventures	**2**	12
Written off of trade and other payables	**–**	(2,407)
Operating cash flows before movements in working capital	**(6,329)**	517
Increase in inventories	**(7,972)**	(508)
Decrease/(increase) in contract costs	**596**	(596)
(Increase)/decrease in trade and other receivables	**(19,540)**	35,106
Increase/(decrease) in trade and other payables	**17,866**	(36,413)
Cash used in operations	**(15,379)**	(1,894)
PRC enterprise income tax paid	**(2)**	(359)
NET CASH USED IN OPERATING ACTIVITIES	**(15,381)**	(2,253)
INVESTING ACTIVITIES		
Interest received	**1**	4
Purchases of property, plant and equipment	**–**	(110)
Net cash inflow from disposal of subsidiaries	**–**	1,086
Net cash outflow from deregistration of subsidiaries	**–**	(31)
Repayment/(prepayment) for equity investment	**7,000**	(7,000)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	**7,001**	(6,051)
FINANCING ACTIVITIES		
Advance from a shareholder	**1,500**	3,649
New other borrowings raised	**16,457**	12,938
Repayment of other borrowings	**(9,513)**	(4,643)
Repayment to provision for claims	**–**	(5,000)
Interest paid	**(1,071)**	(36)
Repayment to former directors	**–**	(5,045)
Repayment of lease liabilities	**(98)**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	**7,275**	1,863
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,105)**	(6,441)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**1,678**	8,514
Effect of foreign exchanges rate changes	**(342)**	(395)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**231**	1,678

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1. GENERAL

Shenzhen Mingwah Aohan High Technology Corporation Limited (the "Company") was incorporated as a joint stock company with limited liability in the People's Republic of China (the "PRC") and its H shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The consolidated financial statements are presented in Renminbi ("RMB") which is the same as the functional currency of the Company.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the provision of application development services and the sale of IC cards, magnetic cards, related equipment and application systems, and trading of liquor products in the PRC.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (the "Group") has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 16 Leases (Continued)

As a lessee (Continued)

	At 1 January 2019 RMB'000
Total operating lease commitments disclosed at 31 December 2018	1,562
Recognition exemptions:	
– Leases with remaining lease term of less than 12 months	(1,562)
Operating leases liabilities	–

There is no impact of transition to HKFRS 16 on the consolidated financial statements at 1 January 2019.

New and revised HKFRSs issued but not yet effective

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance ("CO"). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules").

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, except those disclosed otherwise in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

The principal accounting policies are set out below:

Going concern

The Group incurred a net loss of approximately RMB37,427,000 during the year ended 31 December 2019 and as at 31 December 2019, the Group had net current liabilities of approximately RMB21,508,000. The Group also incurred a net cash outflow of approximately RMB1,105,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, the directors of the Company had adopted the going concern basis in the preparation of the consolidated financial statements of the Group based on the following factors:

(1) The directors of the Company anticipate that the Group will continue to generate positive cash flows from its future operations; and

(2) The Group will negotiate with certain bankers to obtain banking facilities, if necessary.

Provided that these measures can successfully improve the liquidity of the Group, the directors of the Company are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the foreseeable future. According, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less impairment loss, if any.

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments joint ventures (Continued)

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the joint venture is included in determination of gain or loss on disposal of joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its contracts for provision for application development service. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant Standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residue values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in Note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

(i) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in Note 2) (Continued)

(ii) Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

(iii) Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in Note 2) (Continued)

(iv) Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in Note 2) (Continued)

(v) Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Leases (prior to 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non- monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributable to non-controlling interest as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Retirement benefit costs

Payments to Mandatory Provident Fund Scheme and state-managed retirement benefits schemes are recognised as an expense when employees have rendered services entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other then in a business combination) of assets and liabilities in a transaction that effects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling prices for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets at amortised cost which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balance or collectively using a provision matrix with similar credit risk characteristics based primarily on the debtors' aging profiles.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that result in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped by considering the following factors:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

The Group's financial liabilities, including trade and other payables, amount due to a director, amount due to a major shareholder, dividends payables and loan from a major shareholder, are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at bank and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalent consist of cash and short-term deposits as defined above.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements ("reporting entity").

(a) A person or a close member of that person's family is related to a reporting entity if that person:

 (i) has control or joint control over the reporting entity;

 (ii) has significant influence over the reporting entity; or

 (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying the entity's accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

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

Provision of ECL for trade receivables

Trade receivables with significant balances and credit-impaired are assessed for ECL individually. In addition, the Group uses provision matrix to calculate ECL for the trade receivables which are individually insignificant. The provision rates are primarily on the debtors' aging profiles as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Notes 21 and 32.

Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amount that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period which such determination is made.

Amortisation of intangible assets

Intangible assets are amortised over their useful lives. The assessment of estimated useful lives is a matter of judgment based on the experience of the Group's management. Useful lives are periodically reviewed for continued appropriateness. The amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

5. REVENUE

Revenue represents the gross invoiced value of goods sold, net of sales related taxes, returns and discounts, to outside customers.

(i) Disaggregation of revenue from contracts with customers

	2019 RMB'000	2018 RMB'000
Type of goods or service		
Sales of cards and card related products	**412**	9,330
Sales of liquor products	**40,009**	63,206
Provision for application development service	**9,852**	2,136
	50,273	74,672
Timing of revenue recognition		
At point in time	**50,273**	74,672

(ii) Performance obligations for contracts with customers

Sales of cards and card related products and liquor products

Customers obtain control of the card and card related products and liquor products when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the products. There is generally only one performance obligation. Invoices are usually payable within 30–90 days.

Provision for application development service

For contracts entered into with customers on provision for application development service, the relevant application specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms and the legal environment, the Group concluded that the Group does not have an enforceable right to payment prior to completion of application development service. Revenue from provision for application development service is therefore recognised at a point in time when the application development completed and transferred to customers, being at the point that the customer obtains the control of the application and the Group has present right to payment and collection of the consideration is probable.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

6. SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods sold or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segment of the Group.

Specifically, the Company's reportable segments under HKFRS 8 are as follows:

Card and card related products – provision for application development services and trading of IC and magnetic cards and application systems, card and card related products

Liquor products – trading of liquor products

(a) Segment revenues and result

The following is an analysis of the Group's revenue and results by reportable and operating segment:

For the year ended 31 December	Card and card related products 2019 RMB'000	Card and card related products 2018 RMB'000	Liquor products 2019 RMB'000	Liquor products 2018 RMB'000	Total 2019 RMB'000	Total 2018 RMB'000
Segment revenue:						
Sales to external customers	**10,264**	11,466	**40,009**	63,206	**50,273**	74,672
Segment results	**(1,959)**	6,035	**2,788**	1,051	**829**	7,086
Unallocated corporate income					**77**	2,988
Unallocated corporate expense					**(36,511)**	(8,746)
Finance costs					**(1,071)**	(134)
(Loss)/profit before taxation					**(36,676)**	1,194

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represents the results of each segment without allocation of interest income, sundry income, net gain on disposals of subsidiaries, loss on deregistration of subsidiaries, written off of property, plant and equipment, written off of other receivables, written off of trade and other payables, impairment loss on trade receivables and other receivables, impairment loss on intangible assets, impairment loss on interests in joint ventures, share of loss of joint ventures, central administration costs and finance costs. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

6. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

At 31 December	Card and card related products 2019 RMB'000	Card and card related products 2018 RMB'000	Liquor products 2019 RMB'000	Liquor products 2018 RMB'000	Total 2019 RMB'000	Total 2018 RMB'000
Assets						
Segment assets	**11,986**	13,990	**52,441**	46,913	**64,427**	60,903
Unallocated assets					**232**	13,654
Total assets					**64,659**	74,557
Liabilities						
Segment liabilities	**13,054**	10,418	**51,731**	34,939	**64,785**	45,357
Unallocated liabilities					**20,705**	12,141
Total liabilities					**85,490**	57,498

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than interest in joint ventures, deposits and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

- all liabilities are allocated to operating segments other than amounts due to shareholders and other borrowings which are not related to segment. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

6. SEGMENT INFORMATION (Continued)

(c) Other segment information

For the year ended 31 December	Card and card related products 2019 RMB'000	Card and card related products 2018 RMB'000	Liquor products 2019 RMB'000	Liquor products 2018 RMB'000	Unallocated 2019 RMB'000	Unallocated 2018 RMB'000	Total 2019 RMB'000	Total 2018 RMB'000
Amount included in the measure of segment profit or loss or segment assets:								
Additions to non-current assets (Note)	**897**	110	**–**	–	**–**	–	**897**	110
Amortisation for intangible assets	**–**	1,814	**–**	–	**–**	–	**–**	1,814
Depreciation for property, plant and equipment	**155**	15	**–**	–	**–**	129	**155**	144
Depreciation for right-of-use assets	**100**	–	**–**	–	**–**	–	**100**	–
Impairment loss on intangible assets	**–**	–	**–**	–	**8,915**	–	**8,915**	–
Impairment loss on trade and other receivables	**–**	–	**–**	–	**15,133**	–	**15,133**	–
Impairment loss on interests in joint ventures	**–**	–	**–**	–	**4,972**	–	**4,972**	–
Net gain on disposal of subsidiaries	**–**	–	**–**	–	**–**	(485)	**–**	(485)
Loss on deregistration of subsidiaries	**–**	–	**–**	–	**–**	70	**–**	70
Waiver of other payables	**–**	–	**–**	–	**–**	(90)	**–**	(90)
Loss on written-off of property, plant and equipment	**–**	–	**–**	–	**–**	135	**–**	135
Share of loss of joint ventures	**–**	–	**–**	–	**2**	12	**2**	12
Written off of trade and other payables	**–**	–	**–**	–	**–**	(2,407)	**–**	(2,407)

Note: Non-current assets included property, plant and equipment, right-of-use assets and intangible assets.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

6. SEGMENT INFORMATION (Continued)

(d) Geographical information

	Revenue		Non-current assets	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC	**47,055**	74,672	**869**	21,425
Hong Kong	**3,218**	–	**315**	–
	50,273	74,672	**1,184**	21,425

The geographical location of customer is based on the location at which the goods were delivered and information about the non-current assets including property, plant and equipment, right-of-use assets, intangible assets, interests in joint ventures and deposits, classified in accordance with geographical location of the assets at the end of the reporting period.

(e) Information about major customers

Revenue from customers of the corresponding year contributing to over 10% of the total revenue of the Group are as follows:

	2019	2018
	RMB'000	RMB'000
Customer A	**14,345**	–
Customer B	**–**	39,788
Customer C	**–**	10,345
Customer D	**10,462**	8,635
Customer E	**8,897**	–
Customer F	**6,305**	–

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

7. OTHER INCOME

	2019 RMB'000	2018 RMB'000
Waiver of other payables	–	90
Interest income	1	4
Value-added tax refund	1,075	3,008
Sundry income	76	2
Exchange gain	–	287
	1,152	3,391

8. OTHER GAINS AND LOSSES

	2019 RMB'000	2018 RMB'000
Written off of property, plant and equipment	–	(135)
Written off of trade and other payables	–	2,407
Net gain on disposal of subsidiaries (Note 29)	–	485
Loss on deregistration of subsidiaries(Note 29)	–	(70)
	–	2,687

9. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest on other borrowings	1,065	134
Interest on lease liabilities	6	–
	1,071	134

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

10. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation has been arrived at after charging:

	Note	2019 RMB'000	2018 RMB'000
Staff costs (including directors', chief executive's and supervisors' emoluments)			
Salaries and other benefits		**6,317**	5,991
Retirement benefit scheme contribution		**985**	573
Total staff costs	(i)	**7,302**	6,564
Auditors' remuneration		**926**	924
Cost of inventories recognised as an expense		**37,252**	59,137
Amortisation of intangible assets (included in cost of sales)		**–**	1,814
Depreciation for property, plant and equipment		**155**	144
Depreciation of right-of-use assets		**100**	–
Expense relating to short-term lease and other leases with lease terms ended within 12 months/operating leases rentals on premises		**735**	1,797

(i) Total staff costs amounting to approximately RMB2,931,000 (2018: Nil) are included in cost of sales; amounting to approximately RMB179,000 (2018: RMB1,127,000) are included in distribution and selling expenses; and approximately RMB4,192,000 (2018: RMB5,437,000) are included in general and administrative expenses.

11. INCOME TAX EXPENSE

	2019 RMB'000	2018 RMB'000
PRC Enterprise Income Tax ("EIT")		
– Current	**751**	182

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The Company and its PRC subsidiaries were subject to EIT at rate of 25% (2018: 25%).

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2019 (2018: 16.5%). No provision for Hong Kong Profits Tax has been made as the Group has no estimated assessable profits arising in or derived from Hong Kong for the years ended 31 December 2019 and 2018.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

11. INCOME TAX EXPENSE (Continued)

The income tax expense for the year can be reconciled to the (loss)/profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 RMB'000	2018 RMB'000
(Loss)/profit before taxation	(36,676)	1,194
Tax at the domestic rate of 25% (2018: 25%)	(9,169)	298
Effect of different tax rates of subsidiaries	136	431
Tax effect of income not taxable for tax purpose	–	(417)
Tax effect of expenses not deductible for tax purpose	8,268	1,373
Tax effect of temporary differences not recognised	102	(1,393)
Tax effect of tax loss not recognised	1,414	263
Utilisation of tax losses previously not recognised	–	(373)
Income tax expense	751	182

At 31 December 2019, the Group has unused tax losses of approximately RMB52,858,000 (2018: RMB58,150,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams. The tax losses will expire after five years from the year of assessment to which they relate.

At 31 December 2019, the Group has deductible temporary differences of approximately RMB5,483,000 (2018: RMB5,075,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

12. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss for the year attributable to owners of the Company of approximately RMB37,427,000 (2018: profit of RMB759,000) and the weighted average number of ordinary shares in issue of approximately 800,000,000 shares (2018: 800,000,000) during the year.

No diluted loss per share for both 2019 and 2018 were presented as there were no potential ordinary shares for the years ended 31 December 2019 and 31 December 2018.

13. DIVIDEND

No dividend was paid, declared or proposed during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

14. STAFF COSTS (EXCLUDING DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS)

	2019 **RMB'000**	2018 RMB'000
Salaries and other benefits in kind	**4,190**	2,990
Retirement benefit scheme contributions	**884**	539
	5,074	3,529

Hong Kong

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for its Hong Kong employees. The MPF Scheme is a defined contribution retirement plan administered by independent trustees, Under the MPF scheme, each of the Group companies (the "employer") in Hong Kong and its employees makes monthly contribution to the scheme a 5% of the employee's earning as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employer and employees are subject to a cap of HKD1,500 per month (2018: HKD1,500 per month), a total contribution of approximately RMB45,000 (2018: RMB41,000) was made by the Group in respect of this scheme.

The PRC, other than Hong Kong

As stipulated by rules and regulations in the PRC, the Company and those subsidiaries, which operated in the PRC, are required to contribute to a state-sponsored retirement plan for all its employees. The state-sponsored retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-sponsored retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions, a total contribution of approximately RMB940,000 (2018: RMB498,000) was made by the Group in respect of this scheme.

15. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS

(a) Directors', chief executive's and supervisors' emoluments

The emoluments paid or payable to each of fifteen (2018: fifteen) directors, chief executive and supervisors were as follows:

	For the year ended 31 December 2019			
	Fees RMB'000	Other emoluments and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Total emoluments RMB'000
Executive directors				
Mr. Zhang Tao	–	762	16	778
Ms. Wang Hong (resigned on 27 June 2019)	–	118	12	130
Mr. Huang Qing (appointed on 14 March 2019 and resigned on 10 September 2019)	–	279	24	303
Mr. Lang Yu (appointed on 27 June 2019)	–	110	8	118
Mr. Liu Jianfeng (appointed on 10 September 2019)	–	160	18	178
Non-executive directors				
Mr. Zhou Liang Hao	120	–	–	120
Mr. Chan Ngai Fan (redesignated on 8 January 2019 as a non-executive Director and resigned on 18 March 2019)	26	76	1	103
Independent non-executive directors				
Mr. Yu Xiuyang	120	–	–	120
Mr. Lau Shu Yan (resigned on 9 April 2020)	120	–	–	120
Mr. Wei Wei (appointed on 20 March 2019)	94	–	–	94
Mr. You Xiaohua (resigned on 20 March 2019)	26	107	21	154
Supervisors				
Ms. Zou Liping (ceased on 30 April 2019)	–	9	1	10
Ms. Ge Deng (retired on 17 May 2019)	–	–	–	–
Mr. Zhou Jie	–	–	–	–
Ms. Huang Sanhuan (appointed on 17 May 2019)	–	–	–	–
	506	1,621	101	2,228

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

15. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS (Continued)

(a) Directors', chief executive's and supervisors' emoluments (Continued)

	For the year ended 31 December 2018			
	Fees RMB'000	Other emoluments and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Total emoluments RMB'000
Executive directors				
Mr. Zhang Tao (appointed as Chairman on 11 January 2018)	–	1,028	15	1,043
Mr. Liu Guo Fei *(Chief Executive Officer)* (resigned on 8 February 2018)	–	27	1	28
Ms. Wang Hong	–	400	7	407
Non-executive directors				
Mr. Zhou Liang Hao	178	–	–	178
Mr. Chan Ngai Fan	101	675	9	785
Independent non-executive directors				
Mr. Gao Xiang Nong (resigned on 3 July 2018)	120	–	–	120
Mr. Yu Xiuyang	189	–	–	189
Mr. Lau Shu Yan	168	–	–	168
Mr. You Xiaohua (appointed on 3 July 2018)	69	–	–	69
Supervisors				
Ms. Zou Liping (appointed on 6 April 2018)	–	19	2	21
Ms. Ge Deng (appointed on 17 May 2018)	–	–	–	–
Mr. Zhou Jie (appointed on 17 May 2018)	–	–	–	–
Mr. Li Xiang (retired on 17 May 2018)	–	–	–	–
Ms. Liu Wei Qun (retired on 17 May 2018)	–	–	–	–
Mr. He Wei Ming (retired on 6 April 2018)	–	27	–	27
	825	2,176	34	3,035

No directors, chief executive and supervisors waived or agreed to waive any emoluments during the year ended 31 December 2019 (2018: Nil).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

15. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS (Continued)

(b) Senior management's remuneration

Of the five individuals with highest emoluments in the Group, one (2018: three) were directors of the Company whose emoluments are set out above. The emoluments of the remaining four (2018: two) highest paid individuals were as follows:

	2019 RMB'000	2018 RMB'000
Salaries and other benefits in kind	**1,586**	1,001
Retirement benefit scheme contributions	**130**	95
	1,716	1,096

Their emoluments were within the following bands:

	Number of employees 2019	2018
Nil to HK$1,000,000 (equivalent to approximately RMB882,000 (2018: RMB844,000))	**4**	2

No emoluments have been paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Company, or as compensation for loss of office during the year ended 31 December 2019 (2018: Nil).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

16. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery RMB'000	Leasehold improvement, furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST				
At 1 January 2018	8,529	5,181	1,168	14,878
Exchange realignment	–	4	31	35
Additions	–	110	–	110
Written off	(8,529)	(4,636)	–	(13,165)
Disposal of subsidiaries	–	(432)	(608)	(1,040)
At 31 December 2018	**–**	**227**	**591**	**818**
Exchange realignment	**–**	**2**	**10**	**12**
At 31 December 2019	**–**	**229**	**601**	**830**
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2018	8,518	4,854	256	13,628
Exchange realignment	–	1	9	10
Provided for the year	–	31	113	144
Elimination on written off	(8,518)	(4,512)	–	(13,030)
Disposal of subsidiaries	–	(297)	(172)	(469)
At 31 December 2018	**–**	**77**	**206**	**283**
Exchange realignment	**–**	**1**	**5**	**6**
Provided for the year	**–**	**37**	**118**	**155**
At 31 December 2019	**–**	**115**	**329**	**444**
CARRYING VALUES				
At 31 December 2019	**–**	**114**	**272**	**386**
At 31 December 2018	–	150	385	535

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives less their residual values as follows:

	Estimated useful lives	Residual value
Plant and machinery	6 years	3–10%
Leasehold improvements	6 years	10%
Furniture, fixtures and equipment	5–6 years	3–10%
Motor vehicles	5–10 years	3–10%

17. RIGHT-OF-USE ASSETS

	Leased properties RMB'000
Cost	
As 31 December 2018	–
Adoption of HKFRS 16	–
As at 1 January 2019	–
Additions	897
As at 31 December 2019	897
Accumulated depreciation	
At 31 December 2018	–
Adoption of HKFRS 16	–
As at 1 January 2019	–
Depreciation charge	100
As at 31 December 2019	100
Carrying Value	
At 31 December 2019	797
At 1 January 2019	–
Payment of lease liabilities	98
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	735

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

18. INTANGIBLE ASSETS

	Application system RMB'000
COST	
At 1 January 2018, 31 December 2018 and 2019	12,693
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 January 2018	1,964
Provided for the year	1,814
At 31 December 2018	**3,778**
Impairment loss recognised (Note iii)	**8,915**
At 31 December 2019	**12,693**
CARRYING VALUE	
At 31 December 2019	**–**
At 31 December 2018	8,915

Notes:

(i) The application system is amortised over the remaining useful life of 7 years.

(ii) The application system is used for the card products and the amortisation of Nil (2018: RMB1,814,000) is included in the cost of sales in the consolidated statement of profit or loss and other comprehensive income.

(iii) During the year ended 31 December 2019, since the Group's revenue from the cards products decreased significantly and the directors anticipated that there will be no revenue generated from the card products anymore, full impairment loss on the intangible assets – application systems for the card products is recognised in the profit or loss.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

19. INTERESTS IN JOINT VENTURES

	2019 RMB'000	2018 RMB'000
Cost of unlisted investment, at cost	**5,000**	5,000
Share of loss	**(27)**	(25)
	4,973	4,975
Impairment loss (Note ii)	**(4,972)**	–
	1	4,975

Notes:

(i) Details of the Group's joint ventures as at 31 December 2019 and 2018 are as follows:

Name	Form of entity	Place of incorporation or registration/ operation	Proportion of nominal value of registered capital held by the Group 2019	2018	Principal activities
Googut Mingwah (Hong Kong) Limited	Incorporated	Hong Kong	**40%**	40%	Investing in wine industry and trading of wine products
Shanghai Googut Trading Co. Limited#*	Incorporated	PRC	**40%**	40%	Investing in wine industry and trading of wine products

* English name for identification purpose only.

\# Up to the reporting date, no registered capital of Shanghai Googut Trading Co. Limited has been paid up and the Group therefore had an outstanding investment commitment of approximately RMB5,000,000 in the joint venture as set out in Note 34.

(ii) As the recoverable amount of the joint venture Googut Mingwah (Hong Kong) Limited, is lower than its carrying amount, on impairment loss of approximately RMB4,972,000 (2018: Nil) was recognised for the year ended 31 December 2019.

20. INVENTORIES

	2019 RMB'000	2018 RMB'000
Finished goods – liquor	**9,418**	1,446

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

21. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	2019 RMB'000	2018 RMB'000
Current		
Trade receivables – contract with customers	**24,318**	36,046
Less: Impairment loss recognised	**(1,473)**	(3,546)
Trade receivables, net of impairment	**22,845**	32,500
Other receivables and deposits	**35,881**	16,139
Prepayments	**8,803**	816
	44,684	16,955
Less: Impairment loss recognised	**(13,703)**	(43)
	30,981	16,912
	53,826	49,412
Non-current		
Deposits (Note iv)	**–**	7,000

(i) The Group allows an average credit period of 30–90 days (2018: 30–90 days) to its customers. In addition, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted.

(ii) An aging analysis of trade receivables, net of impairment loss recognised, presented based on transaction date is as follows:

	2019 RMB'000	2018 RMB'000
1 to 90 days	**752**	32,500
91 to 180 days	**16,619**	–
181 to 365 days	**5,474**	–
Over 365 days	**–**	–
	22,845	32,500

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

21. TRADE AND OTHER RECEIVABLES AND DEPOSITS (Continued)

(iii) Aging analysis of trade receivables which were past due but not impaired are as follows:

			Past due but not impaired		
	Total	Neither past due nor impaired	Less than 180 days	181 to 365 days	More than 365 days
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2019	**22,845**	**752**	**16,619**	**5,474**	**–**
At 31 December 2018	32,500	32,500	–	–	–

Details of impairment assessment of trade receivables are set out in note 32.

(iv) As at 31 December 2018, included in the amount is a deposit of RMB7,000,000 paid for potential acquisition of 14.6% equity interest in Shanghai Aoyi Electronic Technology Company Limited, a company incorporated in the PRC. On 19 July 2019, the deposit was fully repaid.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

22. CONTRACT COSTS

	2019 RMB'000	2018 RMB'000
Costs to fulfill contracts		
Application development cost	–	596

Contract costs capitalised as at 31 December 2018 relate to the direct cost for the Group's applications which are still under development at the reporting date. Contract costs are recognised as part of cost of sales in the consolidated statement of profit or loss in the period in which revenue from the related revenue from provision of application development services is recognised. The amount of contract costs recognised in profit or loss during the year was RMB596,000 (2018: RMB Nil). There was no impairment in relation to the costs capitalised during the year (2018: Nil).

23. BANK BALANCES AND CASH

At 31 December 2019 and 2018, bank balances represented short-term deposits with a maturity of three months or less. The interest rates ranged from 0.001% to 0.35% per annum (2018: 0.001% to 0.35% per annum).

Included in the bank balances and cash are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2019 RMB'000	2018 RMB'000
HKD	5	574

At 31 December 2019 approximately RMB226,000 was denominated in RMB and deposited with banks in the PRC (2018: RMB1,104,000). RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

24. TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	**14,252**	16,730
Accrued expenses	**2,024**	2,310
Other payables	**38,413**	15,706
Value-added tax payable	**7,119**	9,182
	61,808	43,928

(i) The average credit period on purchases of goods is 90–180 days (2018: 90–180 days). The Group has in place financial risk management policies in place to ensure that all payables are settled within the credit time frame.

(ii) An aging analysis of the trade payables at the end of the reporting period based on transaction date is as follows:

	2019 RMB'000	2018 RMB'000
0–90 days	**–**	16,602
91–180 days	**8,362**	–
181–365 days	**5,763**	83
Over 365 days	**127**	45
	14,252	16,730

(iii) Included in accrued expenses and other payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2019 RMB'000	2018 RMB'000
HKD	**880**	440

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

25. LEASE LIABILITIES

	2019 RMB'000
Lease liabilities payable:	
Within one year	**292**
Within a period of more than one year but not more than two years	**301**
Within a period of more than two years but not more than five years	**206**
Less: Amount due for settlement with 12 months shown under current liabilities	**(292)**
Amount due for settlement after 12 months shown under non-current liabilities	**507**

26. OTHER BORROWINGS

	2019 RMB'000	2018 RMB'000
Unsecured other loans	**15,556**	8,492
Analysed as:		
Amount due within 1 year shown under current liabilities	**15,556**	8,492

Note: Unsecured other loans represent loans due to independent third parties and bear interest at fixed rates ranging from 0% to 12% (2018: 2% to 8%) per annum.

27. AMOUNTS DUE TO SHAREHOLDERS/A MAJOR SHAREHOLDER

The amount is unsecured, non-interest bearing and repayable on demand (2018: repayable on 30 June 2020).

28. SHARE CAPITAL

		Nominal value		
	Number of shares '000	Domestic shares RMB'000	H shares RMB'000	Total RMB'000
Registered, issued and fully paid:				
At 31 December 2019 and 2018	800,000	59,980	20,020	80,000

Note: All shares issued during the year rank pari passu with the existing shares in all respects.

29. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES

(a) For the year ended 31 December 2018

(i) On 19 January 2018, the Company entered into a sale and purchase agreement to dispose of its 100% equity interest in its subsidiary, Fast Key Holdings Limited ("Fast Key") (快鍵集團有限公司) to former directors at a consideration of HK$950,000 (equivalent to approximately RMB790,000). The principal activity of Fast Key is provision of administrative support. The net assets of the subsidiary were as follows:

	RMB'000
Net liabilities disposed of	
Property, plant and equipment	566
Prepayments, deposits and other receivables	226
Bank balances and cash	4
Other payables and accruals	(13)
	783
Release of translation reserve	141
Loss on disposal of subsidiary	(134)
Total consideration satisfied by:	
Cash consideration received	790
Net cash inflow arising on disposal	786

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

29. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES (Continued)

(a) For the year ended 31 December 2018 (Continued)

(ii) The Company disposed of its 90% equity interest in its subsidiary, Guangzhou Mingwah Aohan High Technology Co., Ltd. ("Guangzhou Mingwah") (廣州市明華澳漢科技有限公司) to an independent third party at a consideration of RMB450,000 on 1 April 2018. The principal activity of Guangzhou Mingwah is trading in IC cards, magnetic cards, related equipment and application systems. The net liabilities of the subsidiary were as follows:

	RMB'000
Net liabilities disposed of	
Property, plant and equipment	5
Inventories	85
Trade receivables	515
Prepayments, deposits and other receivables	20
Bank balances and cash	150
Trade payables	(769)
Other payables and accruals	(194)
	(188)
Non-controlling interest	19
Gain on disposal of subsidiary	619
Total consideration satisfied by:	
Cash consideration received	450
Net cash inflow arising on disposal	300

29. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES (Continued)

(a) For the year ended 31 December 2018 (Continued)

(iii) On 27 November 2018, the Group deregistered Shenzhen Mingwah Aohan Digital Security Technology Co., Ltd (深圳市明華澳漢數據安全科技有限公司), a 80% owned subsidiary in the PRC which was inactive.

	RMB'000
Trade and other receivables	374
Trade and other payables	(319)
	55
Non-controlling interest	(12)
Loss on deregistration	43

(iv) On 27 November 2018, the Group deregistered Sihui Mingwah Aohan Technology Company Limited (四會市明華澳漢科技有限公司), a 80% owned subsidiary in the PRC which was inactive.

	RMB'000
Amount due from a shareholder	3
Bank balances and cash	31
	34
Non-controlling interest	(7)
Loss on deregistration	27

The subsidiaries deregistered during the year ended 31 December 2018 had no significant impact on the turnover and results of the Group.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Lease liabilities RMB'000	Provision for claims RMB'000	Amounts due to former directors RMB'000	Amounts due to shareholders RMB'000	Other borrowings RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2018	–	5,000	4,947	–	–	9,947
Changes in cash flows	–	(5,000)	(5,045)	3,649	8,259	1,863
Non-cash changes – additions	–	–	90	–	37	127
Exchange rate changes	–	–	8	–	197	205
At 31 December 2018 and 1 January 2019	**–**	**–**	**–**	**3,649**	**8,493**	**12,142**
Changes in cash flows	**(104)**	**–**	**–**	**1,500**	**5,879**	**7,275**
Non-cash changes – additions	**903**	**–**	**–**	**–**	**1,065**	**1,968**
Exchange rate changes	**–**	**–**	**–**	**–**	**119**	**119**
At 31 December 2019	**799**	**–**	**–**	**5,149**	**15,556**	**21,504**

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debts, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

Gearing ratio

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the Group considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the end of the reporting period was as follows:

	2019	2018
	RMB'000	RMB'000
Debts (i)	**20,705**	12,141
Bank balances and cash	**(231)**	(1,678)
Net debt	**20,474**	10,463
(Capital deficiency)/equity (ii)	**(21,178)**	16,712
Net debt-to-equity ratio (iii)	**N/A**	63%

(i) Debts are defined as borrowings (including other borrowings and amounts due to shareholders/a major shareholder).

(ii) (Capital deficiency)/equity includes all capital and reserves of the Group.

(iii) As the Group had a net deficiency in capital at 31 December 2019, the Group's gearing ratio as at that dates were not applicable.

The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives. policies or processes for managing capital during the years ended 31 December 2019 and 2018.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets		
Financial assets at amortised cost	**45,339**	50,853
Financial liabilities		
Financial liabilities at amortised cost	**73,370**	44,449
Lease liabilities	**799**	–

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, amounts due to shareholders, other borrowings and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group operates in the PRC with most of the transactions denominated and settled in RMB. The Group's foreign currency is mainly HKD. The Group has certain portion of the other receivables, bank balances and cash and other payables that are denominated in currencies other than the functional currency to which they relate.

The following table shows the Group's exposure at the end of reporting period to currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2019 RMB'000	2018 RMB'000
Assets	**33**	1,531
Liabilities	**8,075**	5,533

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

32. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Interest rate risk

The Group do not expose any fair value interest rate risk in relation to borrowings for the years ended 31 December 2019 and 2018.

The Group is also exposed to cash flow interest rate risk in relation to its variable rate bank balances. The Group considered that the effect of the cash flow interest rate is minimal and no sensitivity analysis to interest rate risk is presented.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, bank balances and other receivables and deposits. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

(i) Trade receivables

The Group has concentration of credit risk as 71% (2018: 80%) and 97% (2018: 100%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The Group has concentration of credit risk by geographical location as the entire balance of its trade receivable as at 31 December 2019 and 2018 were in the PRC.

In order to minimise the credit risk, the Group performs impairment assessment under ECL model on trade receivables individually or based on provision matrix. Except for items that are subject to individual evaluation, which are assessed for impairment individually, the remaining trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure. Impairment of RMB1,473,000 (2018: RMB Nil) is recognised during the year. Details of the quantitative disclosures are set out below in this note.

(ii) Bank balances

The credit risk of the Group on liquid funds is limited because the majority of the counterparties are international banks and state-owned banks with good reputation.

(iii) Deposits and other receivables

Apart from the credit-impaired other receivables as disclosed in the note below, the credit risk on deposits and other receivables is also limited because of the natures of these balances, credit quality of the counterparties and the historical settlement record.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

32. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2019	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000
Financial assets at amortised costs				
Bank balances and cash	23	N/A	12-month ECL	**231**
Trade receivables	21	(note i)	Lifetime ECL	**24,318**
Deposits and other receivables	21	(note ii)	12-month ECL	**22,262**
		(note iii)	lifetime ECL	**13,619**

2018	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000
Financial assets at amortised costs				
Bank balances and cash	23	N/A	12-month ECL	1,678
Trade receivables	21	(note i)	Lifetime ECL	36,046
Deposits and other receivables	21	(note ii)	12-month ECL	16,139

Notes:

(i) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for items that are subject to individual evaluation, which are assessed for impairment individually, the Group determines the ECL on these items by past due status.

(ii) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. As at 31 December 2019 and 2018, these balances are either not past due or doesn't have fixed repayment.

(iii) The directors of the Company considers credit risks have increased significantly and those past due more than 90 days are considered as credit-impaired.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

32. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers have common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL (not credit-impaired).

Debtors with significant outstanding balances with gross carrying amounts of RMB24,318,000 as at 31 December 2019 (2018: RMB36,046,000) were assessed individually.

Gross carrying amount	2019 Average loss rate	2019 Trade receivables	2018 Average loss rate	2018 Trade receivables
Current (not past due)	**0.3%**	**754**	0%	32,500
1–90 days past due	**0.2%**	**16,653**	0%	–
91–180 days past due	**0.7%**	**5,511**	30%	–
Over 180 days past due	**100%**	**1,400**	100%	3,546
		24,318		36,046

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2019, the Group provided RMB1,473,000 (2018: RMB Nil) impairment allowance for trade receivables, based on the provision matrix.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

32. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL RMB'000
As at 1 January 2018	6,686
Disposal and deregistration of subsidiaries	(887)
Written off as uncollectible	(2,253)
As at 31 December 2019	3,546
Written off as uncollectible	(3,546)
Impairment losses recognised	1,473
As at 31 December 2019	1,473

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	Lifetime ECL (credit-impaired) RMB'000
As at 1 January 2018 and 31 December 2018	43
Impairment losses recognised	13,660
As at 31 December 2019	13,703

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

32. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	At 31 December 2019				At 31 December 2018			
	Within one year or on demand	More than 1 year but less than 2 years	Total contractual undiscounted cash flows	Carrying amounts	Within one year or on demand	More than 1 year but less than 2 years	Total contractual undiscounted cash flows	Carrying amounts
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities								
Trade and other payables	54,689	–	54,689	54,689	32,436	–	32,436	32,436
Amount due to a major shareholder	–	–	–	–	–	3,649	3,649	3,649
Amounts due to shareholders	5,149	–	5,149	5,149	–	–	–	–
Lease liabilities	312	520	832	799	–	–	–	–
Other borrowings	16,084	–	16,084	15,556	8,852	–	8,852	8,492
	76,234	520	76,754	76,193	41,288	3,649	44,937	44,577

(c) Fair value

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values due to their short-term maturities.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

33. OPERATING LEASE

The Group as lessee

The Group leases certain of its premises under operating lease arrangements. Leases are negotiated for a term ranging from one to two years. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

The Group had commitments for future minimum lease payments under non- cancellable operating leases in respect of the premises which fall due are as follows:

	2018 RMB'000
Within one year	1,458
In the second to fifth years inclusive	104
	1,562

34. CAPITAL COMMITMENT

	2019 **RMB'000**	2018 RMB'000
Capital contribution to joint ventures	**5,000**	5,000

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

35. RELATED PARTY AND CONTINUING CONNECTED TRANSACTIONS

(a) In addition to related party balances detailed in the consolidated financial statements and Notes 27, the Group entered into the following transactions with Shenzhen Mingwah Aohan Smart Card Corporation Ltd ("Shenzhen Smart Card") during the year, some of which are also deemed to be connected parties pursuant to the GEM Listing Rules:

		Transaction amount	
	Nature of	**2019**	2018
Name of related party	**transactions**	**RMB'000**	RMB'000
Shenzhen Mingwah Aohan Smart Card Corporation Ltd. (深圳市明華澳漢智能卡有限公司)	Purchases of goods	–	153

On 5 February 2016, the Company and Shenzhen Smart Card entered into the Master Sale Agreement and Master Purchase Agreement, pursuant to which the Company agreed to sell various types of card products and related software and Shenzhen Smart Card agreed to supply various types of card products. Both agreements were effective on 5 February 2016 and was be expired on 31 December 2018. Details of the Master Sale Agreement and Master Purchase Agreement are set out in the announcement of the Company dated 16 May 2016.

The above transactions with the related party were in accordance with the terms in the Master Sale and Purchase Agreements and the approved Annual Cap.

The directors of the Company considered Shenzhen Smart Card is a related party of the Group as Mr. Li Xiang, the supervisor of the Company, has beneficial interest in Shenzhen Smart Card. The transactions are carried out at terms agreed by both parties. Mr. Li Xiang retired as the supervisor of the Company at the annual general meeting held on 17 May 2018.

(b) Key management compensation

The key management personnel of the Group comprises all the directors of the Company and the five highest paid individuals. Details of compensation of directors are included in Note 15.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 RMB'000	2018 RMB'000
Non-current assets		
Property, plant and equipment	**72**	92
Right-of-use assets	**797**	–
Intangible assets	**–**	8,915
Investment in subsidiaries	**5,019**	5,019
Amounts due from subsidiaries	**4**	5,185
Deposits	**–**	7,000
	5,892	26,211
Current assets		
Trade and other receivables	**10,775**	7,921
Contract costs	**–**	596
Bank balances and cash	**21**	1,090
	10,796	9,607
Current liabilities		
Trade and other payables	**10,018**	8,664
Amounts due to subsidiaries	**6,978**	4,988
Lease liabilities	**292**	–
Amounts due to shareholders	**5,149**	–
Other borrowings	**8,360**	3,400
	30,797	17,052
Net current liabilities	**(20,001)**	(7,445)
Total assets less current liabilities	**(14,109)**	18,766
Non-current liabilities		
Lease liabilities	**507**	–
Amount due to a major shareholder	**–**	3,649
	507	3,649
Net (liabilities)/assets	**(14,616)**	15,117
Capital and reserves		
Share capital	**80,000**	80,000
Reserves	**(94,616)**	(64,883)
(Capital deficiency)/equity	**(14,616)**	15,117

The Company's statement of financial position was approved and authorised for issue by the board of directors on 30 June 2020 and are signed on its behalf by:

Mr. Zhang Tao
Director

Mr. Lang Yu
Director

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Reserves

	Share premium RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2018	71,974	4,716	2,358	(127,730)	(48,682)
Total comprehensive income for the year	–	–	–	(16,201)	(16,201)
At 31 December 2018	**71,974**	**4,716**	**2,358**	**(143,931)**	**(64,883)**
Total comprehensive income for the year	**–**	**–**	**–**	**(29,733)**	**(29,733)**
At 31 December 2019	**71,974**	**4,716**	**2,358**	**(173,664)**	**(94,616)**

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

37. SUBSIDIARIES

Details of the Company's principal subsidiaries established as at 31 December 2019 and 2018 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation/ establishment	Class of shares held	Issued and fully paid share capital	Proportion ownership interest directly held by the Company		Principal activities
				2019	2018	
			RMB'000			
Mingwah Aohan Investment Group Limited (明華澳漢投資集團有限公司)	Hong Kong	Ordinary shares	9	**100%**	100%	Provision of administrative support
Shanghai Ai Ba Ke Food Limited (上海愛吧客食品有限公司)	PRC	Contributed capital	–#	**100%**	100%	Trading of liquor products
Xizang Googut Trading Co., Ltd. (西藏歌德爾香貿易有限公司)	PRC	Contributed capital	–#	**100%**	100%	Trading of liquor products

None of the subsidiaries had issued any debt securities at the end of the reporting period.

In the opinion of the directors of the Company, there is no subsidiary that has non-controlling interest which is material to the Group.

* English name is for identification purpose only.

\# Up to the reporting date, no registered capital of Shanghai Ai Ba Ke Food Limited and Xizang Googut Trading Co., Ltd..

38. EVENTS AFTER THE REPORTING PERIOD

The outbreak of COVID-19 in late January 2020 has adversely affected the Group's daily operation and patronage of local and cross-boundary transport. The Group has been implementing a number of measures to lessen the impact and will continue to closely monitor further effect that could be caused by COVID-19 on the business operation and financial position of the Group.

Financial Summary

RESULTS

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**50,273**	74,672	119,209	44,246	26,308
(Loss)/profit before tax	**(36,676)**	1,194	3,381	(16,199)	4,079
Income tax expense	**(751)**	(182)	(1,625)	(222)	(3)
(Loss)/profit for the year	**(37,427)**	1,012	1,756	(16,421)	4,076
Attributable to:					
Owners of the Company	**(37,427)**	759	1,606	(16,389)	4,039
Non-controlling interests	**–**	253	150	(32)	37
(Loss)/profit for the year	**(37,427)**	1,012	1,756	(16,421)	4,076

ASSETS AND LIABILITIES

	At 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**64,659**	74,557	112,018	73,115	18,965
Total liabilities	**(85,490)**	(57,498)	(95,566)	(58,831)	(70,489)
	(20,831)	17,059	16,452	14,284	(51,524)
Attributable to:					
Owners of the Company	**(21,178)**	16,712	16,358	14,858	(50,982)
Non-controlling interests	**347**	347	94	(574)	(542)
Equity	**(20,831)**	17,059	16,452	14,284	(51,524)

As at the date of this announcement, the executive Directors are Mr. Zhang Tao, Mr. Lang Yu and Mr. Liu Jianfeng; the non-executive Director is Mr. Zhou Liang Hao; and the independent non-executive Directors are Mr. Yu Xiuyang and Mr. Wei Wei.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the website of the GEM of The Stock Exchange of Hong Kong Limited at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting.