



深圳市明華澳漢科技股份有限公司

Shenzhen Mingwah Aohan High Technology Corporation Ltd.*

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

Stock Code: 8301

2019

Interim Report

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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 of the Company, 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.

BOARD OF DIRECTORS (THE “BOARD”)

Executive Directors

Mr. Zhang Tao (*Chairman*)
Ms. Wang Hong (resigned on 27 June 2019)
Mr. Huang Qing (appointed on 14 March 2019)
Mr. Lang Yu (appointed on 27 June 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
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. Lau Shu Yan (*Chairman*)
Mr. Yu Xiuyang
Mr. Wei Wei (appointed on 20 March 2019)
Mr. You Xiaohua (resigned on 20 March 2019)

NOMINATION COMMITTEE

Mr. Lau Shu Yan (*Chairman*)
Mr. Yu Xiuyang
Mr. Zhang Tao

REMUNERATION COMMITTEE

Mr. Yu Xiuyang (*Chairman*)
Mr. Lau Shu Yan
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)

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

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The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M/F., Hopewell Centre
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Wanchai, Hong Kong

PRINCIPAL BANKERS

China Minsheng Bank
Ping An Bank

COMPANY'S WEBSITE

www.mwcard.com

GEM STOCK CODE

8301

HIGHLIGHTS

- For the six months ended 30 June 2019, unaudited revenue was approximately RMB24,273,000, which represents a decrease of approximately of 42.5% as compared to that of the corresponding period in previous year. The loss attributable to owners of the Company for the six months ended 30 June 2019 was approximately RMB2,608,000 (2018: profit of RMB772,000). The turnaround from profit to loss mainly attributable to (i) the decrease in other income due to a decrease in value-added tax refund; and (ii) decrease in revenue was attributable to the decrease in sales of liquor product in the first quarter of 2019.
- Loss per share of the Group was approximately RMB0.33 cents for the six months ended 30 June 2019.

To all shareholders,

The board of Directors (the "Board") is pleased to announce the unaudited condensed consolidated financial results of the Group for the three months and six months ended 30 June 2019 together with comparative figures for the corresponding period in 2018, as follows:

THE FINANCIAL STATEMENTS**Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

For the three months and six months ended 30 June 2019 and 30 June 2018

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue	3	22,534	12,325	24,273	42,217
Cost of sales		(18,497)	(10,335)	(19,537)	(34,660)
Gross profit		4,037	1,990	4,736	7,557
Other income		752	2,687	1,088	3,008
Distribution and selling expenses		(7)	(513)	(100)	(1,198)
General and administrative expenses		(5,002)	(3,936)	(8,064)	(8,311)
Net gain on disposal of subsidiaries	18	–	619	–	485
Finance cost		(112)	–	(262)	–
Share of result of joint ventures		(5)	–	(6)	(1)
(Loss)/Profit before taxation	5	(337)	847	(2,608)	1,540
Income tax expense	6	–	(362)	–	(535)
(Loss)/Profit for the period		(337)	485	(2,608)	1,005
Other comprehensive income for the period		(669)	825	(1,123)	1,410
Total comprehensive income for the period		(1,006)	1,310	(3,731)	2,415
(Loss)/Profit attributable to:					
Owners of the Company		(337)	173	(2,608)	772
Non-controlling interests		–	312	–	233
		(337)	485	(2,608)	1,005
Total comprehensive income attributable to:					
Owners of the Company		(1,006)	998	(3,731)	2,182
Non-controlling interests		–	312	–	233
		(1,006)	1,310	(3,731)	2,415
Dividend	7	–	–	–	–
(Loss)/Earnings per share					
– Basic (cents)	8	(0.04)	0.02	(0.33)	0.10
– Diluted (cents)	8	N/A	N/A	N/A	N/A

Unaudited Condensed Consolidated Statement of Financial Position

At 30 June 2019 and 31 December 2018

	Notes	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		460	535
Intangible assets		8,009	8,915
Interest in joint ventures		4,969	4,975
Deposits	9	7,000	7,000
		20,438	21,425
Current assets			
Inventories		5,875	1,446
Trade receivables	10	32,742	32,500
Other receivables		22,469	16,912
Contract costs		1,450	596
Bank balances and cash		3,468	1,678
		66,004	53,132
Current liabilities			
Trade and other payables	11	57,672	43,928
Income tax payable		1,600	1,429
Other borrowings		10,193	8,492
		69,465	53,849
Net current liabilities		(3,461)	(717)
Total assets less current liabilities		16,977	20,708
Non-current liabilities			
Amount due to a major shareholder		3,649	3,649
Net assets		13,328	17,059

Unaudited Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2019 and 31 December 2018

	Notes	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Capital and reserves			
Share capital	13	80,000	80,000
Reserves		(67,019)	(63,288)
Equity attributable to owners of the Company		12,981	16,712
Non-controlling interests		347	347
Equity		13,328	17,059

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019 and 30 June 2018

	Attributable to owners of the Company								
	Share capital	Share premium	Statutory surplus reserve	Statutory public welfare fund	Translation reserve	Accumulated losses	Total	Non-controlling interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2018	80,000	71,974	5,954	2,978	(492)	(144,056)	16,358	94	16,452
Disposal of subsidiaries (Note 18)	-	-	-	-	141	-	141	19	160
Total comprehensive income for the period	-	-	(844)	(422)	1,269	772	775	233	1,008
At 30 June 2018	80,000	71,974	5,110	2,556	918	(143,284)	17,274	346	17,620
At 1 January 2019	80,000	71,974	5,040	2,411	(897)	(141,816)	16,712	347	17,059
Total comprehensive income for the period	-	-	-	-	(1,123)	(2,608)	(3,731)	-	(3,731)
At 30 June 2019	80,000	71,974	5,040	2,411	(2,020)	(144,424)	12,981	347	13,328

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019 and 30 June 2018

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(976)	(3,143)
Net cash generated from investing activities	1,065	1,241
Net cash generated from/(used in) financing activities	1,701	(5,469)
Net decrease in cash and cash equivalents	1,790	(7,371)
Cash and cash equivalents at beginning of the period	1,678	8,514
Cash and cash equivalents at end of the period – represented by bank balances and cash	3,468	1,143

Notes to the Condensed Financial Statements

For the period ended 30 June 2019

1. GENERAL

The Company was established and registered 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.

The Group is principally engaged in (i) the sale of IC cards, magnetic cards, related equipment and application systems, and (ii) trading of liquor products.

2. BASIS OF PREPARATION

The accompanying unaudited condensed consolidated results of the Group are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Chapter 18 of the GEM Listing Rules. They have been prepared under historical cost convention. The accounting policies adopted are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018.

The HKICPA has issued certain new and revised Hong Kong Financial Reporting Standards ("HKFRS") that are first effective or available for early adoption for the current period of the Group. These new and revised HKFRSs have no significant impact on the results or the financial position of the Group for current and previous accounting periods.

In the current interim period, the Group has applied, for the first time, the HKFRS 16 Leases ("HKFRS 16") issued by the HKICPA which is pertinent to the Group and is mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements.

HKFRS 16 superseded HKAS 17 Leases ("HKAS 17") and the related interpretations. Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

The application of the new and amendments to HKFRSs and the interpretations in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

The Group has not applied any new standards or interpretation that is not yet effective for the current accounting period.

The condensed consolidated results are unaudited but have been reviewed by the Company's audit committee.

3. REVENUE

Revenue represents the gross invoiced value of goods sold, net of value added tax, sale returns and discounts to outside customers. Disaggregation of revenue from contracts with customers by major products is as follows:

Revenue from contracts with customers within the scope of HKFRS 15

	For the three months ended 30 June		For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Sales of card products	3,568	2,069	5,307	5,126
Sales of non-card products	–	–	–	66
Sales of liquor products	18,966	10,256	18,966	37,025
	22,534	12,325	24,273	42,217
Timing of revenue recognition				
At a point in time	22,534	12,325	24,273	42,217

4. SEGMENTAL 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 products – provision for application development services and trading of IC and magnetic cards and application systems
- Non-card products – trading of card related equipment
- Liquor products – trading of liquor products

4. **SEGMENTAL INFORMATION** (Continued)

Segmental information about the business is presented below:

For the six months ended 30 June 2019

	Card products RMB'000 (Unaudited)	Non-card products RMB'000 (Unaudited)	Liquor products RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
Segment revenue				
Sales to external customers	5,307	–	18,966	24,273
Segment results	1,497	–	1,375	2,872
Unallocated corporates income and expense				(5,480)
Loss from operations				(2,608)
Loss before taxation				(2,608)

4. **SEGMENTAL INFORMATION** (Continued)

For the six months ended 30 June 2018

	Card products RMB'000 (Unaudited)	Non-card products RMB'000 (Unaudited)	Liquor products RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
Segment revenue				
Sales to external customers	5,126	66	37,025	42,217
Segment results	648	(165)	3,723	4,206
Unallocated corporates income and expense				(2,666)
Profit from operations				1,540
Profit before taxation				1,540

5. **(LOSS)/PROFIT BEFORE TAXATION**

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

	For the three months ended 30 June		For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Depreciation of property, plant and equipment	49	37	98	71
Amortisation of intangible assets (included in cost of sales)	453	453	906	907

6. INCOME TAX EXPENSE

The expense represents enterprise income tax in the PRC.

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
PRC enterprise income tax				
Current period	–	362	–	535

PRC enterprise income tax of the Group is calculated at the applicable rate of 25% (2018: 25%) on estimated assessable profits.

The Group did not have any significant unprovided deferred taxation as at 30 June 2019 and 30 June 2018.

7. DIVIDEND

No dividend was paid during the period. The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).

8. (LOSS)/EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2019 is based on the unaudited net loss attributable to owners of the Company for the relevant period of approximately RMB2,608,000 (2018: profit of RMB772,000) and the weighted average number of 800,000,000 shares (2018: 800,000,000 shares).

Diluted (loss)/earnings per share is not presented as there were no potential ordinary shares outstanding during the relevant periods.

9. DEPOSITS

As at 30 June 2019 and 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. Subsequent to the end of the reporting period on 19 July 2019, the deposit has been fully repaid. Details of which were contained in the Company's announcements dated 24 October 2018, 31 May 2019 and 19 July 2019.

10. TRADE RECEIVABLES

Details of the aging analysis are as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
1 to 90 days	25,022	32,500
91 to 180 days	2,432	–
181 to 365 days	5,288	–
Over 365 days	–	–
	32,742	32,500

Included in the Group's trade receivables balance are debtors with a carrying amount of approximately RMB7,720,000 (2018: Nil) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

11. TRADE AND OTHER PAYABLES

The following is an aging analysis of trade and other payables at the reporting date:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
1–90 days	25,273	16,602
91–180 days	–	–
181–365 days	616	83
Over 365 days	83	45
Trade payables	25,972	16,730
Value-added tax payable	7,754	9,182
Accrued expenses and other payables	23,946	18,016
	57,672	43,928

The fair value of the Group's trade and other payables at 30 June 2019 approximates to the corresponding carrying amount.

12. PROVISION FOR CLAIMS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
At the beginning of the period/year	–	5,000
Less: Settled	–	(5,000)
At the end of the period/year	–	–

Reference is made to the Company's announcement dated 15 April 2014 relating to an arbitration in Beijing initiated by Wenzhou Fuguo Bio-Technology Limited (溫州富國生物科技有限公司) ("Wenzhou Fuguo") relating to a transaction of sales of goods from the Company in 2011.

On 17 June 2014, an arbitral award was issued in favour of Wenzhou Fuguo and pursuant to which the Group shall pay Wenzhou Fuguo for a sum of RMB3,300,000 together with the accrued interest of RMB396,000. During the year ended 31 December 2017, a further provision for accrued interest of approximately RMB1,304,000 was charged to profit or loss to make up the total claim of approximately RMB5,000,000 as 31 December 2017. The case was closed upon a full payment of RMB5,000,000 was made to Wenzhou Fuguo on 6 February 2018.

13. SHARE CAPITAL

	Nominal value			Total RMB'000
	Number of shares '000	Domestic shares RMB'000	H shares RMB'000	
Registered, issued and fully paid:				
At 31 December 2018 (Audited) and at 30 June 2019 (Unaudited)	800,000	59,980	20,020	80,000

14. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2019 and 31 December 2018.

15. CAPITAL COMMITMENTS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Capital contribution to joint ventures	5,000	5,000
Capital contribution to subsidiaries	23,000	23,000
	28,000	28,000

16. 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.

At the end of reporting 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:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within one year	614	1,458
In the second to fifth years inclusive	98	104
	712	1,562

17. RELATED PARTY AND CONTINUING CONNECTED TRANSACTIONS

The Group entered into the following transactions with related party during the following periods, some of which are also deemed to be connected parties pursuant to the GEM Listing Rules:

Name of related party	Nature of transactions	For the three months ended 30 June		For the six months ended 30 June	
		2019	2018	2019	2018
		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
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 Mingwah Aohan Smart Card Corporation Ltd. ("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 will 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 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.

The above balance owed from related party is included in trade and other receivables. The Group has not made any provision for bad and doubtful debts in respect of related party debtor during the period for six months ended 30 June 2019 and 30 June 2018 regarding related party transactions.

18. NET GAIN ON DISPOSAL OF SUBSIDIARIES

- (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 assets 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)
	790
Total consideration satisfied by:	
Cash consideration received	790

- (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
<hr/>	
Total consideration satisfied by:	
Cash consideration received	450

19. SIGNIFICANT MATTER

On 28 June 2019, the Company announced that it had entered into a non-legally binding memorandum of understanding with Sichuan United Liquor Exchange (the "Target Company") in relation to a possible investment by the Company in the Target Company.

The Target Company was established in the PRC with limited liability and was established under the approval of the governmental authority of Sichuan Province. The Target Company is a liquor exchange principally engaged in the trading, consulting and other related services in relation to the liquor and related products. The Directors consider that the possible investment in the Target Company will enable the Group to further develop its business of trading of liquor products in the PRC.

For details, please refer to the Company's announcement dated 28 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operations Review

The Group is principally engaged in the business of (i) the provision of application development services and the sale of card products and non-card products (the "Card and Related Product Business") in the People's Republic of China (the "PRC"); and (ii) the trading of liquor products (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. Since the second half of 2018, the Group started to explore business opportunities for related application development services and continued its efforts in the first half of 2019.

Accordingly, the Group's Card and Related Products Business recorded a revenue of approximately RMB5,307,000 for the six months ended 30 June 2019 (2018: approximately RMB5,192,000), which were mainly derived from contracts for its application development services.

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 beverages which has 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 RMB18,966,000 from the Wine Business for the three months ended 30 June 2019 (2018: approximately RMB10,256,000), representing a growth of approximately 84.9% from revenue of in the corresponding period of 2018.

Despite the strong performance of the Group's Wine Business during the second quarter of 2019, when combined with the results of the first quarter of 2019, the Group's revenue from the Wine Business during the six months ended 30 June 2019 of approximately RMB18,966,000 (2018: approximately RMB37,025,000). The Board will continue to adjust its strategy to explore further business opportunities with Googut and review the performance of the distribution channels and make necessary adjustments as and when necessary.

Financial Review

REVENUE, GROSS PROFIT AND OTHER INCOME

For the six months ended 30 June 2019, the Group's loss attributable to owners of the Company was approximately RMB2,608,000 (2018: profit of approximately RMB772,000).

The Group's revenue of the six months ended 30 June 2019 was approximately RMB24,273,000, representing a decrease of approximately 42.5% as compared with approximately RMB42,217,000 recorded in last corresponding period, whilst the Group's cost of sales for the six months ended 30 June 2019 was approximately RMB19,537,000 (2018: approximately RMB34,660,000).

The Group's gross profit for the six months ended 30 June 2019 was approximately RMB4,736,000 (2018: approximately RMB7,557,000), while the Group's gross profit margin for the six months ended 30 June 2019 was approximately 19.5% (2018: approximately 17.9%). The increase in gross profit margin was mainly due to the increase in percentage of revenue from our Card and Related Products Business which yields higher profit margin.

The Group's other income of six months ended 30 June 2019 was approximately RMB1,088,000 (2018: approximately RMB3,008,000), representing a decrease of approximately 66.5% compared to the corresponding period. The decrease in other income was mainly due to the decrease in value-added tax refund.

ADMINISTRATIVE AND OTHER OPERATING COSTS

The distribution and selling expenses decreased by 91.7% to approximately RMB100,000 (2018: approximately RMB1,198,000) mainly due to the decrease in staff cost.

The general and administrative expenses was slightly decreased by 3.0% to approximately RMB8,064,000 (2018: approximately RMB8,311,000).

Prospect

Premised on its mature data encryption technology, the Group will continue to cooperate with its existing customers to ensure the demand of current customers are met and strive to maintain its income in view of the keen competition in the market, whilst explore more opportunities in the information technology sector for the second half of 2019.

Driven by “Made in China 2025” and “Internet+ Double-innovation” strategies implemented by the PRC Government in recent years, significant progress has been made in the development of the Internet of Things (“IoT”) market. Aiming to develop its IoT market, a batch of key laboratories were set up in the PRC in order to pool and integrate innovative resources from various industries and fields which basically cover each segment involved in the technological innovations of IoT. In view of the above, the Group recruited a professional team to provide application development services in the third quarter of 2018 and would leverage on their experiences and technological knowledges to further explore business opportunities in the IT and related technology sector.

The Board would monitor closely on the development and impact of the relevant regulations and policies in the PRC to adjust its strategy on the Wine Business. The Group will continue to explore further business opportunities with Googut and to review the performance of its distribution channels and make necessary adjustments as and when 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.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Financial Position

As at 30 June 2019, the Group's net assets amounted to approximately RMB13,328,000 (31 December 2018: approximately RMB17,059,000). The decreased net assets were mainly due to the increased trade and other payables as at 30 June 2019.

As at 30 June 2019, the Group had net current liabilities of approximately RMB3,461,000 (31 December 2018: approximately RMB717,000). The increase in net current liabilities is mainly attributable to the increase in trade and other payables as at 30 June 2019.

Current assets as at 30 June 2019 comprise of (i) inventories of approximately RMB5,875,000 (31 December 2018: approximately RMB1,446,000); (ii) trade receivables of approximately RMB32,742,000 (31 December 2018: approximately RMB32,500,000); (iii) other receivables of approximately RMB22,469,000 (31 December 2018: approximately RMB16,912,000); and (iv) bank balances and cash of approximately RMB3,468,000 (31 December 2018: approximately RMB1,678,000).

Current liabilities as at 30 June 2019 comprise of (a) trade and other payables of approximately RMB57,672,000 (31 December 2018: approximately RMB43,928,000); (b) income tax payable of approximately RMB1,600,000 (31 December 2018: approximately RMB1,429,000); and (c) other borrowings of approximately RMB10,193,000 (31 December 2018: approximately RMB8,492,000).

CAPITAL COMMITMENTS

Details of capital commitments were set out in note 14 to this interim report.

FINANCIAL RESOURCES

As at 30 June 2019, the Group had bank balances and cash of approximately RMB3,468,000. The Company intends to finance the Group's future operations, capital expenditure and other capital requirements with the existing cash and bank balances.

GEARING RATIO

As the Group had a net cash position at 30 June 2019 and 31 December 2018, the Group's gearing ratio as at that dates were not applicable.

MATERIAL ACQUISITIONS OR DISPOSALS

The Group had no material acquisitions or disposals during the six months ended 30 June 2019.

SEGMENTAL INFORMATION

An analysis of the Group's revenue and results by products for the six months ended 30 June 2019 is set out in note 4 to this interim report.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at the date of this report, the Group had 30 full time employees, comprising 13 in administration and finance, 3 in customer services, 12 in research and development and 2 in sales.

Remuneration policy has been consistently applied by the Group as disclosed in the 2018 annual report of the Company.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2019, the Company had not pledged any assets for banking facilities (31 December 2018: nil).

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

On 28 June 2019 (after trading hours), the Company entered into a memorandum of understanding with Sichuan United Liquor Exchange* (四川聯合酒類交易所股份有限公司) (the "Target Company") in relation to a possible investment by the Company in Sichuan Liquor Exchange. The Target Company was established in the PRC with limited liability and was established under the approval of the governmental authority of Sichuan Province. The Target Company is a liquor exchange principally engaged in the trading, consulting and other related services in relation to the liquor and related products. The Directors consider that the possible investment in the Target Company will enable the Group to further develop its business of trading of liquor products in the PRC. For details, please refer to the announcement of the Company dated 28 June 2019.

Save as disclosed above, the Directors do not have any future plans for material investment or capital assets as at 30 June 2019.

FOREIGN EXCHANGE EXPOSURE

Since most of the income and expenditure of the Group were received and paid in RMB which is 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

Reference is made to (i) the voluntary announcement of the Company dated 24 October 2018 (the "Voluntary Announcement"); and (ii) the announcements of the Company dated 31 May 2019 and 19 July 2019 (the "Legal Proceeding Announcements").

As disclosed in the Voluntary Announcement, the Company entered into an agreement dated 24 October 2018 (the "Agreement") with Ms. Fang Hui (方慧) (the "Vendor"), Shanghai Aoyi Electronic Technology Company Limited* (上海奥宜电子科技有限公司) ("Shanghai Aoyi") and Shenzhen Zhifen Technology Corporation Limited* (深圳市智紛科技有限公司) ("Shenzhen Zhifen") in respect of (a) the acquisition (the "Acquisition") of approximately 14.6% of equity interest in Shanghai Aoyi from the Vendor by the Company; and (b) the capital contribution (the "Capital Contribution") to Shenzhen Zhifen to be made by Shanghai Aoyi and the Company.

As disclosed in the Legal Proceeding Announcements, as of the one of the conditions precedents to completion of the Acquisition has not been fulfilled or waived in accordance with the Agreement, the Company sought to recover the partial consideration of RMB7 million (the "Partial Consideration") paid by it under the Agreement. However, the negotiation in relation to the termination of the Agreement and the return of the Partial Consideration was not successful. In May 2019, the Company initiated legal proceedings and filed a claim (the "Claim") in the People's Court of Xuhui District, Shanghai City (the "Xuhui People's Court") to seek to recover the Partial Consideration.

On 11 July 2019, the Company, the Vendor, Shanghai Aoyi, Shenzhen Zhifen and an individual being an independent third party entered into a settlement agreement (the "Settlement Agreement") in respect of the Claim. The Company confirms that, as at the date of this interim report, the Partial Consideration has been fully repaid (see note 9 to this Interim Report) and the Company has applied to the Xuhui People's Court to withdraw the Claim in accordance with the terms of the Settlement Agreement.

Save as disclosed above, the Group was not involved in any material claims or legal proceedings for the six months ended 30 June 2019.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2019 (31 December 2018: nil).

SIGNIFICANT INVESTMENT HELD

The Group did not have any significant investment held as at 30 June 2019.

DIRECTORS' AND SUPERVISOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors or supervisors of the Company or their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right as at 30 June 2019.

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 30 June 2019, none of the Directors, supervisors and chief executives of the Company had any interests or short position 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 ("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 30 June 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
Shanghai Beiyuan Enterprises Limited* (上海北燕實業有限公司) ("Shanghai Beiyuan")	Beneficial owner	172,640,000 domestic shares (L)	28.78%	21.58%
Mr. Zheng Qi (鄭琪) (Note 2)	Interest in controlled corporation	172,640,000 domestic shares (L)	28.78%	21.58%
Hu Xiao Rui	Beneficial owner	170,000,000 domestic shares (L)	28.34%	21.25%
Zhang Nan	Beneficial owner	110,000,000 domestic shares (L)	18.34%	13.75%
Zhuoyu Hengtai (Beijing) Safety Equipment Company Limited	Beneficial owner	58,240,000 domestic shares (L)	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%

Note:

- The letter "L" denotes the shareholders' long position in the shares of the Company.
- Mr. Zheng Qi owned 80% of the shares of Shanghai Beiyuan. By virtue of SFO, Mr. Zheng Qi is deemed to be interested in the shares of the Company held by Shanghai Beiyuan.

* For identification purposes only

Save as disclosed above, as at 30 June 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.

DISCLOSURE OF INFORMATION ON DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in the information of the Directors, supervisors and chief executives are as follows:

1. Mr. Huang Qing was appointed as an executive Director with effect from 14 March 2019;
2. Mr. Chan Ngai Fan was re-designated from an executive Director to a non-executive Director with effect from 8 January 2019. Mr. Chan subsequently resigned as a non-executive Director and a member of the Remuneration Committee with effect from 18 March 2019.
3. Mr. Wei Wei was appointed as an independent non-executive Director, a member of the Audit Committee and a member of the Remuneration Committee with effect from 20 March 2019.
4. Mr. You Xiaohua (a) was appointed as a member of the Remuneration Committee with effect from 18 March 2019; (b) resigned as an independent non-executive Director, a member of the Audit Committee and a member of the Remuneration Committee with effect from 20 March 2019; and (c) was re-designated as a general member of the Shanghai branch of the Company with effect from 20 March 2019. Mr. You was subsequently elected as the staff representative supervisor of the Company with effect from 30 April 2019.
5. Ms. Zhou Liping ceased to be the staff representative supervisor of the Company with effect from 30 April 2019.
6. Ms. Ge Deng retired as a supervisor of the Company with effect from 17 May 2019.
7. Ms. Huang Sanhuan was appointed as a supervisor of the Company with effect from 17 May 2019.
8. Ms. Wang Hong resigned as an executive Director with effect from 27 June 2019.
9. Mr. Lang Yu was appointed as an executive Director with effect from 27 June 2019.

SHARE OPTION SCHEME

The Company has not granted or issued any option up to 30 June 2019.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the period was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

COMPETING INTERESTS AND CONFLICT OF INTEREST

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 or has other conflicts of interest with the Group during the period under review.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has 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, the Directors confirmed that they had complied with the required standard set out in the Model Code during the six months period ended 30 June 2019.

The Company has 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.

AUDIT COMMITTEE

The Company has established an audit committee since June 2004 with written terms of reference which have been amended from time to time in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Company and provide advice and comments to the Directors. The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Lau Shu Yan (chairman of Audit Committee), Mr. Yu Xiuyang and Mr. Wei Wei.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters. The Audit Committee has also reviewed the unaudited interim result of the Company for the six months ended 30 June 2019, which is of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules and legal requirements and that adequate disclosure have been made.

CORPORATE GOVERNANCE

The Board has adopted the Code on Corporate Governance Practices (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 in best practices. To us, maintaining high standards of corporate governance practices is not just complying with the provisions but also the intent of the regulations to enhance corporate performance and accountability.

DEVIATION FROM THE CORPORATE GOVERNANCE CODE

The Company has complied with the CG Code throughout the six months ended 30 June 2019, except for the following deviation:

- (a) 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 "Chief Executive Officer") on 8 February 2018, he has served as both the chairman of the Board (the "Chairman") and the Chief Executive Officer. 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 Chief Executive Officer, 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 Chief Executive Officer 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 three 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.
- (b) 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 ("AGM") due to their own business engagements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares.

INTERIM DIVIDEND

The Board does not declare an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

DIRECTORS

As at the date hereof, the executive Directors are Mr. Zhang Tao, Mr. Lang Yu and Mr. Huang Qing; the non-executive Director is Mr. Zhou Liang Hao; and the independent non-executive Directors are Mr. Yu Xiuyang, Mr. Lau Shu Yan and Mr. Wei Wei.

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

Shenzhen, the PRC, 12 August 2019