



Technology

2019 ANNUAL  
REPORT

[99-tech-ltd.com](http://99-tech-ltd.com)

# About 99 Technology

99 Technology is a consumer engagement technology and solutions provider, helping business partners acquire, engage, enhance and retain customers.



8 years  
Business Experience  
with Chinese Market



1,790  
Business Partners



Value to Business  
Partners Empowered  
by Technology

99 Technology (formerly known as “99 Wuxian”) passed a special resolution at the Extraordinary General Meeting held on 2 March 2020 to change company name from 99 Wuxian Limited to 99 Technology Limited. The effective date of the Company’s name change was 21 April, 2020. Its ASX ticker code has been changed from NNW to NNT.

99 Technology is a technology solution provider, helping business partners engage, enhance and grow their customer bases and revenues. With 8 years rich experience in the evolving China consumer market, 99 Technology has developed and secured around 1,790 business partners, including 60+ banks, 100+ insurance sector companies and over one thousand medium size enterprises.

Through providing comprehensive services and products portfolio including technology solutions, implementation and data analysis, 99 Technology has fulfilled business partners’ needs from procurement to the various marketing processes, which cover the entire operation and management process within the business. The Company helps business partners improve marketing efficiency, to increase consumers’ activeness and loyalty, and to accelerate the growth of business partners’ brand value.

## 99 Technology has two business platforms with products and services consisting:

- **Mobile Solutions<sup>1</sup>**, based on virtual products and big data analysis, offers comprehensive M-commerce marketing solutions, including 99 Mobile Marketplace, Business Costs Procurement Tools, Offline to Online Marketing Integrations and Customer Behaviour Data Analysis.
- **Cloud Delivered Solutions<sup>2</sup>**, provides scene-based and customised cloud-based solutions and services for business partners, distribution channels and employees, including Rewards Redemptions, Online Insurance, Insurance Supply Chain Management, Employee Benefits and Loyalty Marketing Programs.

1. Mobile Solutions were previously called M-Commerce Marketing Solutions

2. Cloud Delivered Services were previously called Cloud Services

**“99 Technology Provides Value Added Services to Business Partners Through Mobile and Cloud Delivered Solutions Platforms.”**

**Amalisia Zhang**  
Chief Executive Officer

# Contents

|    |   |
|----|---|
| 01 | Highlights                                  |
| 02 | CEO and Chairman's Review                   |
| 03 | Operating and Financial Review              |
| 07 | Board of Directors & Senior Management Team |
| 11 | Corporate Governance                        |
| 24 | Directors' Report                           |
| 30 | Independent Auditor's Report                |
| 36 | Financial Statements                        |
| 41 | Notes to the Financial Statements           |
| 85 | Additional Information                      |
| 89 | Corporate Directory                         |

## Select financial data translated into Australian dollars

99 Technology's financial statements are expressed in Chinese Yuan (RMB). Select financial data has been translated from RMB into Australian dollars (AUD) to enable share/CHESS Depository Interest (CDI) holders to interpret the financial performance of 99 Technology. The translations are unaudited, have been provided for convenience purposes only and may not fairly present 99 Technology's financial position or performance.

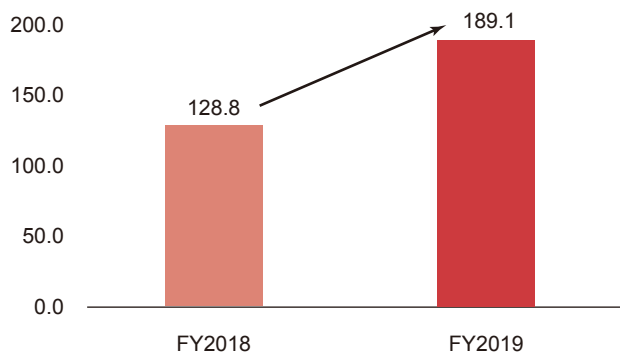
Statement of comprehensive income and statement of cash flows information have been translated at the average rate of AUD/RMB of 4.7956 for the period 1 January 2019 to 31 December 2019. Statement of financial position information has been translated at the spot rate of AUD/RMB of 4.8843 as at 31 December 2019.

## Documents incorporated by reference

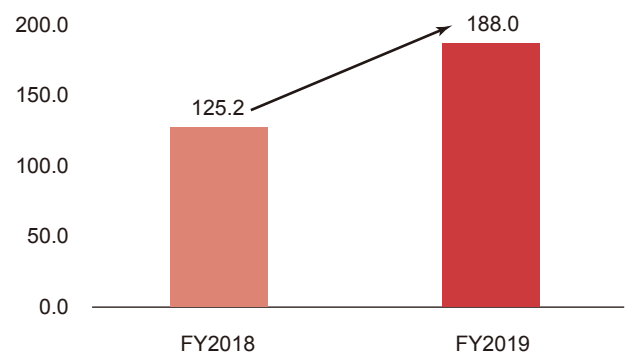
This Annual Report is to be read in conjunction with 99 Technology's Financial Statements for the year ended 31 December 2019 released to ASX on 31 March 2020, which have been replicated in this Annual Report and are incorporated in, and taken to form part of, this Annual Report.

# Highlights

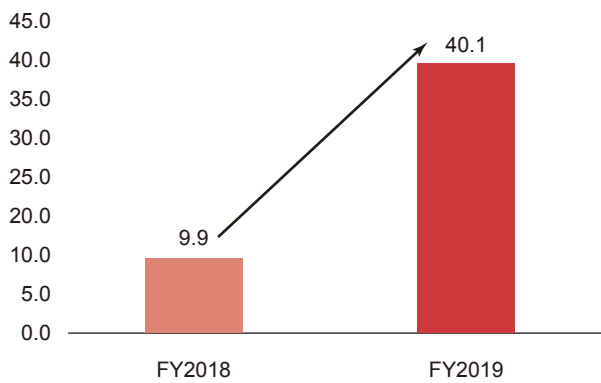
**Net Revenue (RMB: mm)**



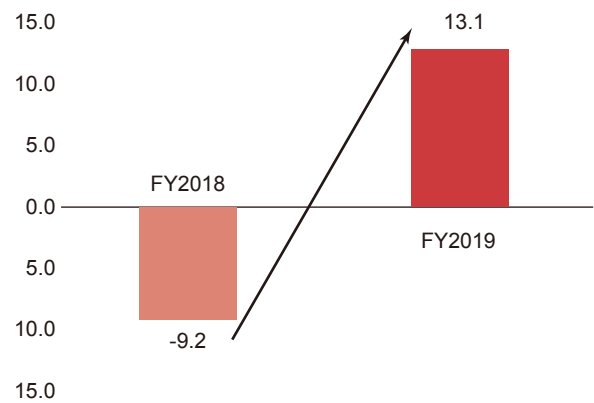
**Gross Profit (RMB: mm)**



**EBITDA (RMB: mm)**



**Net Profit (RMB: mm)**



# CEO and Chairman's Review

On behalf of the Board of Directors, it is with great pleasure we present the FY ("Financial Year") 2019 annual report for 99 Technology Limited ("99 Technology" or "the Company").

During FY2019, the Company upgraded its original Mobile Commerce Marketing Solutions platform and Cloud Services platform to Mobile Solutions and Cloud Delivered Solutions platform respectively, which better reflects the nature of the services provided and characteristics of the platforms. Understanding business partners' and their customers' evolving needs, the Company is clearly positioned and developed to become an industry leading technology and solutions provider, helping business partners acquire, engage, enhance and retain customers.

Based on the Company's reputation and key strengths in technology, R&D, operations and partnership networks, we have made great progress in FY2019. The Company reported revenue of RMB 189.1 million (AUD 39.4 million) in FY2019 representing an increase of 47% from FY2018, and reported the gross profit of RMB 188.0 million (AUD 39.2 million) being an increase of 50% from FY2018. The significant increase in revenue and gross profit is mainly attributed to the continuous efforts in providing comprehensive services and products in our integrated platform and in enriching consumers' consumption options for our business partners.

The Company reported EBITDA of RMB 40.1 million (AUD 8.4 million) in FY2019 representing an increase of 305% from FY2018. This was achieved on an increase of gross profit (RMB 62.8 million) contrasted to the increased selling expenses of RMB 40.2 million. The Company reported net profit of RMB 13.1 million (AUD 2.7 million) in FY2019. This net profit position was a major net loss of RMB 9.2 million (AUD 1.9 million) in FY2018.

CEO Amalisia Zhang commented "The increase in revenue and our projections was a major turnaround from the net profit demonstrate that we are on the right track of aligning our core competencies with business model. 99 Technology provides technical platforms to connect business partners with consumers. The comprehensive services and products we provide are highly recognised by business partners and the market. Our impressive reputation has rapidly spread from banks to insurance companies and from financial sectors to non-financial sectors. We maintain constant and quick responses to business partners' evolving demands by bringing offline consumers to online, attracting potential new consumers and improving consumer engagement."

Commenting on the result, Chairman Ross Benson said "We believe the Company is well positioned to capitalise on the market opportunities emerging from China's fast shift to mobile internet and digitalisation of products and services. The Company is constantly improving its capabilities and competitiveness, expanding the landscape of business partnership, expanding its scope of business, and delivering more comprehensive and flexible services and products."



Mr. Ross Benson  
Chairman



Ms. Amalisia Zhang  
Chief Executive Officer

# Operating and Financial Review

## Financial Highlights

The financial performance in the 12 months ending 31 December 2019 went in line with the strategy execution.

### Summary financials

| Year ended 31 December | RMB millions |        | AUD millions <sup>1</sup> |        | Change |
|------------------------|--------------|--------|---------------------------|--------|--------|
|                        | FY2018       | FY2019 | FY2018                    | FY2019 |        |
| Net revenue            | 128.8        | 189.1  | 26.9                      | 39.4   | 47%    |
| Gross Profit           | 125.2        | 188.0  | 26.1                      | 39.2   | 50%    |
| Margin (%)             | 97.2%        | 99.4%  | 97.2%                     | 99.4%  | 2.2%   |
| EBITDA                 | 9.9          | 40.1   | 2.1                       | 8.4    | 305%   |
| Margin (%)             | (12.3)       | 16.7   | (2.6)                     | 3.5    | 236%   |
| PBT                    | (9.2)        | 13.1   | (1.9)                     | 2.7    | 243%   |
| NPAT                   | (9.2)        | 13.1   | (1.9)                     | 2.7    | 243%   |
| Margin (%)             | (7.1%)       | 6.9%   | (7.1%)                    | 6.9%   | 14%    |

1.RMB translated into AUD using the average rate of AUD/RMB 4.7956 for FY2018 and FY2019 to eliminate the exchange rate impact.

- Revenue of RMB 189.1 million (AUD 39.4 million) in FY2019, up 47% from RMB 128.8 million (AUD 26.9 million) in FY2018
- Gross profit of RMB 188.0 million (AUD 39.2 million) in FY2019, up 50% from RMB 125.2 million (AUD 26.1 million) in FY2018
- EBITDA of RMB 40.1 million (AUD 8.4 million) in FY2019, up 305% from RMB 9.9 million (AUD 2.1 million) in FY2018
- Net profit of RMB 13.1 million (AUD 2.7 million) in FY2019, increased by RMB 22.3 million from net loss of RMB 9.2 million (AUD 1.9 million) in FY2018

# Financial Highlights

## Revenue and gross profit

The Company reported revenue of RMB 189.1 million (AUD 39.4 million) in FY2019 being an increase of 47% from FY2018, and reported gross profit of RMB 188 million (AUD 39.2 million) being an increase of 50% from FY2018. The significant increases both in revenue and gross profit are mainly attributed to the continuous effort in providing comprehensive services and products portfolio in our integrated platform and in enriching consumers' consumption options for our business partners. With in-depth and better understanding of consumption market development and consumer preference evolution, our products and services provided to the business partners and delivered to the consumers have become more in demand.

## EBITDA

The Company reported EBITDA of RMB 40.1 million (AUD 8.4 million) in FY2019 representing an increase of 305% from FY2018. This mainly resulted an increase in gross profit (RMB 62.8 million) which for exceeded the increase in selling expenses (RMB 40.2 million).

## NPAT

The Company reported net profit of RMB 13.1 million (AUD 2.7 million) in FY2019 represented a significant turnaround to a net profit position from a net loss of RMB 9.2 million (AUD 1.9 million) in FY2018.

## Cash flow and balance sheet

The Company continued to reinvest operations cash flow into the growth of the business, including the expansion of the rewards redemptions which is working capital intensive and requires funding of customer purchases. This system however generates high credit quality receivables from leading Chinese banks and insurance companies, which accelerates the development of employee benefit redemptions and insurance brokerage.

The Company carefully manages its cash flow and identifies tailored financing opportunities to support future growth. During FY2019, the Company secured finance facilities including business factoring contracts, bank loans, and equity linked loans, exemplifying the funders' confidence in the Company. By the end of FY2019, the Company held cash and cash equivalents of RMB 93.1 million, an increase of RMB 36.1 million compared to FY2018. The Company also held a restricted bank deposit of RMB 5.0 million. As a result the Company is well positioned for future growth.

The inventory carried by the Company decreased from RMB 1.1 million to RMB 0.3 million in 2019, which shows our gradual transition from sales of merchants to the provider of comprehensive services.

# Operating Highlights

## Business partners and merchants

With a better understanding of business partners' demands, the Company continues to optimise its products and services portfolio and in so doing improves service quality. This helps the Company secure and retain its 1,790 business partners. The comprehensive services and products provided are highly regarded by business partners and the market. The Company's business partner base covers banking, insurance, finance and non-finance sectors.

The Company constantly researches the market and consumers' demands to select the top-tier merchants to best fit our platforms. 99 Technology has developed a set of merchant management mechanisms for continuous assurance of quality and response speed.

## Products and services offering:

99 Technology provides comprehensive services through its Mobile Solutions Platform and Cloud Delivered Solutions Platform. The products and services provided under these platforms satisfy business partners' evolving demands for customer acquisition, engagement, enhancement and retention.

### Mobile Solutions Platform

- 99 Marketplace offers virtual products on both standardised and tailor-made M-commerce platforms;
- Business Procurement Tools improve efficiency and reduce costs incurred by business partners' in the procurement process;
- Integrated Marketing Solutions provide various offline to online marketing solutions and tools to serve wide-ranging business activities

### Cloud Delivered Solutions Platform

- Our rewards Redemption Service provides a comprehensive and modularised rewards management for our business partners. It also provides professional member incentive mechanisms and growth management services to help business partners improve their brand loyalty of consumers.
- Our employee Benefit Service creates a one-stop cloud platform for business partners' employee benefits, and management services concentrating on comprehensive employee benefits expansion.
- Our Insurance Brokerage Service builds an integrated platform for insurance companies, brokers and agents to rapidly develop their businesses not just from offline, but also from an efficient online-offline combination. At the same time, the platform offers a much better user experience for potential policy-buyers in selecting insurance agents and products. The platform makes the process from policy purchase to policy claim and settlement much easier and smoother.



## Staff

99 Technology currently employs approximately 212 staff in China. Human resources are highly valued by the Company, and the Company carefully manages its human capital to meet its business growth requirement. The Company is deeply appreciative of the commitment and contribution of all staff through their technical prowess and determination, and will continue to provide our staff with the opportunity to maximise their contribution to the Company and personal career development.

## Outlook

- Commencing January 2020, the outbreak of COVID-19 has significantly impacted both the Chinese domestic and global economic demands and production of goods and services has plummeted. As a result of the unfavorable market environment, various industries have been adversely affected. We believe however with the alleviation of COVID-19 pandemic, China will re-establish its solid GDP growth in the long term.
- The Chinese GDP has delivered growth over the past years. With almost USD 14.14 trillion GDP, China ranks the second largest economy in the world, only next to the United States. The growth of China's per capita income stimulates the further development of service sectors and the expansion of consumers' demand and expenditure.
- The Chinese Government is actively upgrading industrial infrastructure by supporting technology innovation and boosting service sectors. To realise such a shift, the Chinese Government continually invests heavily in new infrastructure projects. Meanwhile, the Chinese Government grants privileges and policies to encourage technology creation and internet innovation.
- M-commerce, product and service digitalisation are all becoming an integrated part of Chinese society and will continue to grow in the future.

# Board of Directors & Senior Management Team

The Board of 99 Technology have broad experience base covering finance, internet, e-commerce, mobile communication, enterprise storage and payment systems. The Board is well positioned to implement 99 Technology's strategic objectives.



## Board of Directors

| Name  | Position                                    | Independence <sup>1</sup> |
|---|---|---------------------------|
| Mr. Ross Benson                                   | Chairman, Non-Executive Director            | Independent               |
| Ms. Amalisa Zhang                                 | Chief Executive Officer, Executive Director | Non-independent           |
| Dr. Tao Wen                                       | Executive Director                          | Non-independent           |
| Mr. Haoming Yu                                    | Non-Executive Director                      | Independent               |
| Mr. Simon Woodfull                                | Non-Executive Director                      | Independent               |
| Mr. Christopher Ryan                              | Non-Executive Director                      | Independent               |
| Mr. Simon Green<br>(resigned on 18 November 2019) | Non-Executive Director                      | Independent               |

<sup>1</sup> 99 Technology considers that a Director is an independent director where that Director is free from any business or other relationship that could materially interfere, or be perceived to interfere with, the independent exercise of the Director's judgement. 99 Technology has also assessed the independence of its Directors regarding the requirements for independence which are set out in Principle 2 of the ASX Corporate Governance Principles.

## Details of Board of Directors

Details of each of the Directors as at the date of this annual report



### Mr. Ross Benson

Chairman Non-Executive Director

Mr. Benson founded Investorlink Group Limited in 1986 and has over 32 years of experience in the Australian financial services industry, with extensive knowledge in securities, deal structuring and business strategy. Mr. Benson has led negotiations for divestment and acquisition strategies for medium to large enterprises and has a depth of experience in prospectus and offer document preparation. Subsequent to the formation of Investorlink Group Limited, he has established associated business units in wealth management, private equity, property syndication and structured financial products. Over the past 10 years he has spent significant time in China originating inbound and outbound investment activities.



### Ms. Amalisia Zhang

Chief Executive Officer Executive Director

Ms. Zhang founded 99 Technology in 2011 and currently serves as its Chief Executive Officer.

She is a pioneer of internet and e-commerce, with extensive experience in Chinese e-commerce and mobile payments. Prior to founding 99 Technology, she was President of Handpay, one of China's largest third party mobile payment gateway service provider. She has also previously worked for Hong Kong telecommunications company PCCW and as part of the core management team of Ctrip and as General Manager of Ctrip Hong Kong.

She graduated from Bath University in the United Kingdom with a Masters of Business Administration.



### Dr. Tao Wen

Executive Director

Dr. Wen has significant experience in the science and technology sectors. He has been serving as Chief Technology Officer since the Company has established. Prior to joining 99 Technology, he worked as a Senior IT specialist of IBM Global Business Services and held the position of Director of Technology Department at Smartpay. He holds a PhD in Science from Fudan University.



## Mr. Haoming Yu

Independent<sup>1</sup> Non-Executive Director

Mr. Yu has significant experience in the finance and banking industry over 41 years. Prior to joining 99 Technology, he was Executive Vice President of Zendai Group. Mr Yu held various senior positions in the past including Executive Vice President of Shan Shan Co Holding Ltd, Managing Director of Bear Stearns (Asia) Ltd, Executive Vice President of Shanghai International Trust & Investment Co. Ltd and Deputy General Manager in Bank of China, Shanghai Branch.



## Mr. Simon Woodfull

Independent<sup>1</sup> Non-Executive Director

Mr. Woodfull has over 20 years of experience working as a senior executive in various financial services and technology companies across different aspects of business areas including operations, sales and marketing, wealth management , finance, legal and human resources. He was the co-founder of Bravura Solution Ltd (BVS), an ASX listed financial services and software business. Prior to joining 99 Technology, Mr. Woodfull was the Chief Executive Officer of Syncsoft, a financial services software company, wholly owned subsidiary of the Link Group (ASX: LINK). Mr. Woodfull graduated from Business Management, Victoria University.



## Mr. Christopher Ryan

Independent<sup>1</sup> Non-Executive Director

Mr. Ryan is an Executive Director of Investorlink Group Limited, a Sydney-based corporate finance and advisory firm. He has diverse experience and expertise in mergers & acquisitions together with initial public offerings. He has advised ASX listings since 1986. He previously served as Chairman of ASX listed Bravura Solutions Limited and Central West Gold NL and was Non-Executive Director of eCargo Holdings Limited (ASX:ECG), and Non- Executive Director of Retech Technology Co., Limited (ASX:RTE). He is currently Non-Executive Chairman of Fintech Chain Limited (ASX:FTC). Mr. Ryan holds a Bachelor of Financial Administrations from the University of New England, is a Fellow of the Institute of Chartered Accountants Australia and New Zealand, and a member of the Australian Institute of Company Directors.

## Senior Management



### **Mr. Henry Chen**

**Chief Financial Officer**

Mr. Chen has significant experience in finance and accounting over 18 years. Prior to 99 Technology, he held finance, accounting and auditing related positions with various companies such as Vtion Wireless Technology AG, Vesta China and Arthur Andersen. Mr. Chen holds a Master Degree of Commerce (Finance Major) from University of Sydney. Mr. Chen is a CPA and a member of both CICPA (The Chinese Institute of Certified Public Accountants) and ACCA (The Association of Chartered Certified Accountants).

# Corporate Governance

## Board of Directors

99 Technology's Memorandum and Articles of Association and the Hong Kong Companies Ordinance provide that the minimum number of Directors is two and that this minimum may only be changed by majority vote of the Shareholders. The Company currently has six Directors serving on the Board.

The Board is responsible for the overall corporate governance of the Company. Issues of substance affecting the Company are considered by the full Board, with advice from external advisors as required. Each Director must bring an independent view and judgment to the Board and must declare all conflicts of interest including confirmation of Director's interests in securities and declaration of any trading activities.

Any issue concerning a Director must be brought to the attention of the Board as soon as practicable, and Directors may not participate in discussions or resolutions pertaining to any matter in which the Director has a material personal interest.

The Board's role in risk oversight includes receiving review of reports from senior management and the Audit and Risk Management Committee on a regular basis regarding material risks faced by the Company and applicable mitigation strategies and activities.

The reports detail the effectiveness of the risk management program and identify and address material business risks such as technological, strategic, business, operational, financial, human resources and legal/regulatory risks.

The Board and its committees consider these reports, discuss matters with management and identify and evaluate any potential strategic or operational risks, and appropriate activity to address those risks.

The responsibilities of the Board are set down in the Company's Board Charter.

The Company's governance framework has been prepared with regard to the ASX Corporate Governance Councils published guidelines as well as its stated principles and recommendations, contained in the ASX Corporate Governance Principles and Recommendations 3rd Edition.

## Board Committees

The Board has established two standing committees to facilitate and assist the Board in fulfilling its responsibilities as set out below.

The Board may also establish other committees from time to time to assist in the discharge of its responsibilities.

Each of these committees has the responsibilities described in the committee charters (which have been prepared having regard to the ASX Corporate Governance Principles) adopted by the Company.

| Committee                             | Overview  | Members   |
|---------------------------------------|---|---|
| Audit and Risk Management Committee   | Oversees the Company's corporate accounting and financial reporting, including auditing of the Company's financial statements, reviewing the performance of the Company's internal audit function and the qualifications, independence, performance and terms of engagement of the Company's external auditor.  | Mr Christopher Ryan (Chairman)<br>Mr Ross Benson<br>Mr Haoming Yu |
| Nomination and Remuneration Committee | <p>Nomination and Remuneration Committee:</p> <p>Establishes, amends, reviews and approves the compensation and benefit plans with respect to senior management and employees of 99 Technology including determining individual elements of total compensation of the Chief Executive Officer and other members of senior management.</p> <p>The Nomination and Remuneration Committee is responsible for forming a view and making a recommendation to the Board on the most appropriate compensation for key employees. For instance, the Nomination and Remuneration Committee may determine that non-monetary compensation, such as employee options or employee shares, is appropriate compensation as a way of:</p> <ul style="list-style-type: none"> <li>• recognising ongoing contributions by key employees to the achievement by 99 Technology of long term strategic goals;</li> <li>• aligning the interests of participants with other holders of shares in 99 Technology through the sharing of a personal interest in the future growth and development of 99 Technology; and</li> <li>• providing a means of attracting and retaining skilled and experienced employees.</li> </ul> <p>The Nomination and Remuneration Committee is also responsible for reviewing the performance of 99 Technology's executive officers with respect to these elements of compensation.</p> <p><b>Nomination:</b></p> <p>The Nomination and Remuneration Committee recommends the Director nominees for each annual general meeting and ensures that the audit and risk management and nomination and remuneration committees of the Board have the benefit of qualified and experienced independent directors.</p> | Mr Simon Woodfull (Chairman)<br>Mr Haoming Yu<br>Mr Ross Benson   |

## **Corporate governance policies**

The Company has also adopted the following policies, each of which has been prepared having regard to the ASX Corporate Governance Principles and are incorporated by reference into this Annual Report.

A copy of each of the below policies are available on the Company's website at [www.99wuxian.com](http://www.99wuxian.com).

## **Code of conduct**

This policy sets out the standards of ethical behaviour that the Company expects from its Directors, officers and employees.

## **Continuous disclosure policy**

The Company is subject to the continuous disclosure requirements of the Listing Rules and the Corporations Act. This ensures the Company discloses to ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. As such, this policy sets out certain procedures and measures which are designed to ensure that the Company complies with its continuous disclosure obligations.

## **Risk management policy**

This policy is designed to assist the Company in identifying, assessing, monitoring and managing risks affecting the Company's business.

## **Securities trading policy**

This policy is designed to maintain investor confidence in the integrity of the Company's internal controls and procedures and to provide guidance on avoiding any breach of the insider trading laws in Australia.

## **Shareholder communications policy**

This policy sets out practices which the Company will implement to ensure effective communication with its Shareholders.

## **Diversity policy**

This policy sets out practices which the Company will implement to establish measurable objectives for achieving gender diversity.

## **ASX corporate governance principles**

The Board has adopted the 3rd edition of the ASX Corporate Governance Principles and Recommendations and has evaluated 99 Wuxian's current corporate governance policies and practices in light of the ASX Corporate Governance Principles and Recommendations.

The Board considers that the Company generally complies with the ASX Corporate Governance Principles and, where the Company does not comply, this is primarily due to the current relative size of the Company and scale of its current operations. Comments on compliance and departures are set out in the following Corporate Governance Statement as at 27 April 2020 which has been approved by the Board of 99 Technology.



# CORPORATE GOVERNANCE STATEMENT 2019

| Principles/recommendation   | Does 99 Technology comply? | Particulars of compliance and if not why not   |
|---|----------------------------|--|
| <b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>   |                            |  |
| 1.1 A listed entity should disclose:<br>(a) the respective roles and responsibilities of its board and management; and<br>(b) those matters expressly reserved to the board and those delegated to management.  | Complies                   | <p>The Board's responsibilities are contained in the Company's Board Charter.</p> <p>The functions of the Board and Chairman are specifically set out in the Board Charter. The functions of other senior executives including Chief Financial Officer and Financial Director are contained in the letter of appointments describing their term of office, duties, rights and responsibilities and entitlements on Termination.</p>  |
| 1.2 A listed entity should:<br>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and<br>(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. | Complies                   | <p>The Board's responsibilities in relation to Director appointments are contained in the Company's Board Charter. The Company's Board Charter is contained in the Corporate Governance Plan. Appropriate checks including bankruptcy checks and police checks are part of the listing process and will be conducted whenever a new Director is appointed or putting forward to security holders as a candidate for election as a Director.</p> <p>All material information in relation to whether to elect or re-elect a Director is contained in the Company's notice of annual general meeting and explanatory statement.</p> |
| 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.   | Complies                   | <p>The terms and conditions of the appointment of each Director are contained in the letter of appointments and the responsibilities of the Directors are set out in the Board Charter which is available as Annexure 1 of the Corporate Governance Plan at:</p> <p><a href="http://www.99-tech-ltd.com/pdf/Corporate%20Governance%20Plan.pdf">http://www.99-tech-ltd.com/pdf/Corporate%20Governance%20Plan.pdf</a></p>  |
| 1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.   | Complies                   | <p>The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with proper functioning of the Board.</p>  |

## 1.5 A listed entity should:

- (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
- (b) disclose that policy or a summary of it; and
- (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:
- (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
- (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

Complies

The Board has established a diversity policy which is contained in the Corporate Governance Plan.

The Company has established measurable objectives for gender diversity and provided an annual assessment of the performance against the target levels. The Company values a diverse and inclusive workforce which reflects the broader community. 99 Technology recognises the advantages of having a mix of relevant business and professional experience as well as the benefits of having cultural, ethnic and gender diversity

99 Technology's performance against the policy objectives is as follows:

|                        | Target  |       | FY2019  |       |
|------------------------|---------|-------|---------|-------|
|                        | Female% | Male% | Female% | Male% |
| Executive Director     | 50      | 50    | 50      | 50    |
| Non-Executive Director | 50      | 50    | 0       | 100   |
| Executive/Managerial   | 30      | 70    | 28      | 72    |
| Total Employees        | 30      | 70    | 49      | 51    |

## 1.6 A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Complies

The Chairman initiates the process of Board, committee and Director performance appraisal. The Board is responsible for the evaluation of its performance and the performance of individual Directors. This internal review is to be conducted on an annual basis and if deemed necessary this internal review will be facilitated by an independent third party.

The Chairman holds discussion with individual Directors when evaluating their performance. This performance evaluation took place in FY2019. The Board takes this evaluation into consideration when recommending Directors for election.

| Principles/recommendation   | Does 99 Technology comply? | Particulars of compliance and if not why not   |
|---|----------------------------|--|
| <p>1.7 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p> | Complies                   | <p>The Board is responsible for the evaluation of its performance and the performance of individual Directors and other senior executives. This internal review is conducted on a half yearly basis and if deemed necessary this internal review is facilitated by an independent third party.</p> <p>In accordance with the process disclosed above, the Company conducted half year performance reviews for its senior executives during the year.</p> |

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## PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE

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|  |          |  |
|--|----------|--|
| <p>2.1 The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p> | Complies | <p>The Board has established a Nomination and Remuneration Committee.</p> <p>The function of the Nomination and Remuneration Committee is contained in the Nomination and Remuneration Committee Charter which is contained in the Corporate Governance Plan.</p> <p>The Nomination and Remuneration Committee is chaired by Mr Simon Woodfull, a Non-Executive independent Director and consists of two Non-Executive independent Directors, namely Mr Haoming Yu and Mr Ross Benson.</p> <p>The Committee meeting was conducted on 9 December 2019 with all committee members in attendance.</p> |
|--|----------|--|

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- 2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

Complies

The Company has a board skills matrix as below, indicating that the Board members are qualified to assume the role of the Directors.

| Skill                              | Ross Benson | Amalisia Zhang | Tao Wen | Chris Ryan | Haoming Yu | Simon Woodfull |
|------------------------------------|-------------|----------------|---------|------------|------------|----------------|
| <b>Leadership and Management</b>   |             |                |         |            |            |                |
| Executive Management               | X           | X              | X       | X          | X          | X              |
| Corporate Governance               | X           | X              | X       | X          | X          | X              |
| Strategy                           | X           | X              | X       | X          | X          | X              |
| Policy Development                 | X           | X              | X       | X          | X          | X              |
| <b>Corporate</b>                   |             |                |         |            |            |                |
| Business Operation                 | X           | X              | X       |            | X          | X              |
| Legal                              |             |                |         |            |            |                |
| Investor Relation                  | X           | X              |         | X          | X          | X              |
| Marketing                          | X           | X              |         |            | X          | X              |
| International Operation Management | X           | X              | X       | X          | X          | X              |
| <b>Capital Market</b>              |             |                |         |            |            |                |
| Capital Raising                    | X           | X              |         | X          | X          |                |
| Capital Management                 | X           | X              |         | X          | X          |                |
| Corporate Actions                  | X           | X              |         | X          | X          |                |
| <b>Finance and Risk</b>            |             |                |         |            |            |                |
| Risk Management and Compliance     | X           | X              | X       | X          | X          |                |
| Financial                          | X           | X              |         | X          | X          | X              |
| <b>Sector Experience</b>           |             |                |         |            |            |                |
| Research and Development           | X           | X              | X       |            |            | X              |
| Information Technology             |             | X              | X       |            |            | X              |

The Nomination and Remuneration Committee continues to review the board skills matrix.

- 2.3 A listed entity should disclose:
- the names of the directors considered by the board to be independent directors;
  - if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
  - the length of service of each director.

Complies

Currently the Board consists of six members, of which four are Non-Executive independent Directors, namely, Mr Ross Benson, Mr Haoming Yu, Mr Simon Woodfull and Mr Christopher Ryan.

The appointment and rotation of Directors is governed by the Constitution of the Company and the terms and conditions of the each Director are contained in the letter of appointment.

The Nomination and Remuneration Committee is responsible in monitoring the length of service of current Board members, considering succession planning issues and identifying the likely order of retirement by rotation of Directors.

| Directors          | Appointment Date | Directors            | Appointment Date  |
|--------------------|------------------|----------------------|-------------------|
| Ms. Amalisia Zhang | 7 May 2013       | Dr. Tao Wen          | 26 September 2016 |
| Mr. Ross Benson    | 28 June 2013     | Mr. Christopher Ryan | 1 November 2016   |
| Mr. Simon Woodfull | 18 November 2019 | Mr. Haoming Yu       | 1 April 2017      |

| Principles/recommendation  | Does 99 Technology comply? | Particulars of compliance and if not why not  |
|--|----------------------------|---|
| 2.4 A majority of the board of a listed entity should be independent directors.  | Complies                   | <p>Of the six Directors, four are Non-Executive independent Directors being Mr Benson, Mr Yu, Mr Woodfull replacing Mr Green and Mr Ryan. As such a majority of the Board is independent.</p> <p>The Board will continue to review the structure and regularly assess if any Director's independence status changes during 99 Technology's development.</p> |
| 2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.  | Complies                   | The Chairman, Mr Ross Benson, is a Non-Executive independent Director under ASX guideline.  |
| 2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively. | Complies                   | The Nomination and Remuneration Committee is responsible to design induction and ongoing training and education programs for the Board to ensure that Directors are provided with adequate information regarding the operations of the business, the industry and their legal responsibilities and duties.  |

### PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

|                             |          |   |
|-----------------------------|----------|---|
| 3.1 A listed entity should: | Complies | <p>The Board has established a Code of Conduct which outlines the standards of behavior of staff members of 99 Technology including Directors, senior executives, employees and contractors who must follow.</p> <p>The Code of Conduct provides that the Directors will act with honesty and integrity, will avoid conflicts of interest, protect confidential and proprietary information and treat others equitably and with professionalism, courtesy and respect.</p> <p>The Code of Conduct is available at:</p> <p><a href="http://www.99-tech-ltd.com/pdf/Corporate%20Governance%20Plan.pdf">http://www.99-tech-ltd.com/pdf/Corporate%20Governance%20Plan.pdf</a></p> |
|-----------------------------|----------|---|

| Principles/recommendation | Does 99 Technology comply? | Particulars of compliance and if not why not |
|---------------------------|----------------------------|--|
|---------------------------|----------------------------|--|

#### PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

|   |                 |   |
|---|-----------------|---|
| <p>4.1 The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p> | <p>Complies</p> | <p>The Board has established an Audit and Risk Management Committee.</p> <p>The function of the Audit and Risk Management Committee is contained in the Audit and Risk Management Committee Charter which assists with ensuring the integrity and reliability of information prepared for use by the Board and the integrity of the Company's internal controls affecting the preparation and provision of that information in determining policies or for inclusion in the financial report.</p> <p>The Company's Audit and Risk Management Committee Charter is contained in the Corporate Governance Plan which is available at :</p> <p><a href="http://www.99-tech-ltd.com/pdf/Corporate%20Governance%20Plan.pdf">http://www.99-tech-ltd.com/pdf/Corporate%20Governance%20Plan.pdf</a></p> <p>The Audit and Risk Management Committee consists of three members, all of whom are independent Non-Executive Directors, being Mr Ryan, Mr Benson and Mr Yu. Mr Ryan chairs the Audit and Risk Management Committee, who is not the chair of the Board.</p> <p>The qualifications and experience of the members of the committee, please refer to the Director's profile of this Annual Report.</p> <p>In 2019, the Audit and Risk Management Committee held two meetings on 23 April 2019 and 28 August 2019 and all members of the Committee attended both meetings</p> |
| <p>4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>  | <p>Complies</p> | <p>The Board requires the Chief Executive Officer and Chief Financial Officer to provide such as statement on at least an annual basis.</p> <p>The Board confirms that it has received these statements from the Chief Executive Officer and Chief Financial Officer.</p>   |

| Principles/recommendation   | Does 99 Technology comply? | Particulars of compliance and if not why not  |
|---|----------------------------|---|
| 4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit. | Complies                   | <p>The external auditor is based in Hong Kong and they did not physically attend the 2019 annual general meeting held in Sydney. However they dialled in and were on call in answering shareholder queries during the meeting. The Chief Financial Officer was in attendance in the meeting to answer any questions relating to the financial position of the Company from the shareholders.</p> <p>The Company will invite the external auditor to attend any future annual general meeting to answer questions from security holders relevant to the audit.</p> |

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## PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

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|   |          |  |
|---|----------|--|
| 5.1 A listed entity should:   | Complies | <p>The Company has established a Continuous Disclosure Policy and the Board recognises its duty to ensure that its shareholders and the market are informed of all major developments affecting the Company's state of affairs.</p> <p>The policy is available at :</p> <p><a href="http://www.99-tech-ltd.com/pdf/Corporate%20Governance%20Plan.pdf">http://www.99-tech-ltd.com/pdf/Corporate%20Governance%20Plan.pdf</a></p> |
| (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and |          |  |
| (b) disclose that policy or a summary of it.  |          |  |

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## PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

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|   |          |  |
|---|----------|--|
| 6.1 A listed entity should provide information about itself and its governance to investors via its website.                                | Complies | <p>The Board recognises its duty to ensure that its shareholders and the market are informed of all major developments affecting the Company's state of affairs. The Company has established on its website where shareholders can find information such as financial statements and major development of the Company as well as all relevant corporate governance material. The relevant page shareholders can access those information is at:</p> <p><a href="http://www.99-tech-ltd.com/investors.html">http://www.99-tech-ltd.com/investors.html</a></p> |
| 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors. | Complies | <p>Shareholders are encouraged to fully participate at the Annual General Meeting or other General Meeting of the Company to ensure effective two way communication.</p> <p>Shareholders are also able to direct any questions relating to Company's securities to the share registry, Computer-share Investor Services Pty Limited.</p>   |

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| Principles/recommendation   | Does 99 Technology comply? | Particulars of compliance and if not why not   |
|---|----------------------------|--|
| 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders. | Complies                   | <p>The communication strategy is contained in the Continuous Disclosure Policy and the communication strategy is designed to ensure that shareholders are informed of all relevant developments. Details of the information can be found on the Company's website under the corporate governance landing page :</p> <p><a href="http://www.99-tech-ltd.com/pdf/Corporate%20Governance%20Plan.pdf">http://www.99-tech-ltd.com/pdf/Corporate%20Governance%20Plan.pdf</a></p> |

|  |          |   |
|--|----------|---|
| 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically. | Complies | <p>All shareholders have the right to access details of their holdings, provide email address contacts and make certain elections via the Company's share registry, Computershare Investor Services Pty Limited by accessing the website <a href="http://www.computershare.com.au">www.computershare.com.au</a>. Shareholders have the right of option of receiving all or a selection of communication electronically.</p> |
|--|----------|---|

## PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

|  |          |  |
|--|----------|--|
| 7.1 The board of a listed entity should:   | Complies | <p>The Board has established an Audit and risk Management Committee.</p> <p>The Audit and Risk Management Committee consists of three members, all of whom are independent Non-Executive Directors, being Mr Ryan, Mr Benson and Mr Yu. Mr Ryan chairs the Audit and Risk Management Committee, who is not the chair of the Board.</p> <p>The function of the Audit and Risk Management Committee is contained in the Audit and Risk Management Committee Charter which is available at:</p> <p><a href="http://www.99-tech-ltd.com/pdf/Corporate%20Governance%20Plan.pdf">http://www.99-tech-ltd.com/pdf/Corporate%20Governance%20Plan.pdf</a></p> <p>The qualifications and experience of the members of the committee, please refer to the Director's profile of this Annual Report.</p> <p>In 2019, the Audit and Risk Management Committee held two meetings on 23 April 2019 and 28 August 2019 and all members of the Committee attended both meetings.</p> |
| <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p> |          |  |



| Principles/recommendation   | Does 99 Technology comply? | Particulars of compliance and if not why not  |
|---|----------------------------|---|
| <p>7.2 The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>  | Complies                   | <p>The Audit and Risk Management Committee has reviewed the risk management program which was developed by senior management and was approved by the Board.</p> <p>The Board receives regular reports from management on progress in addressing and managing risks.</p> <p>The Audit and Risk Management Committee will continue the process to review the risk management framework at least annually and will disclose such review accordingly.</p> |
| <p>7.3 A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p> | Complies                   | <p>The Audit and Risk Management Committee determines and approves internal audit scope and provides recommendation to the Board as to the role of the internal auditor/internal audit functions.</p> <p>The internal control systems and procedures are reviewed by the internal auditor. The internal audit function is independent of external audit.</p>  |
| <p>7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>  | Complies                   | <p>The Company does not have any material exposure to economic, environmental or social sustainability risk. The material risks, if any, will be disclosed at the Directors' Report of the Annual Report. The Directors' Report discloses the potential risks the Company is exposed to, which are considered to be immaterial.</p>   |

## PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

|  |                |   |
|--|----------------|---|
| <p>8.1 The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p> | Complies       | <p>The Board has established a Nomination and Remuneration Committee.</p> <p>The function of the Nomination and Remuneration Committee is contained in the Nomination and Remuneration Committee Charter contained in the Corporate Governance Plan which can be available at:</p> <p><a href="http://www.99-tech-ltd.com/pdf/Corporate%20Governance%20Plan.pdf">http://www.99-tech-ltd.com/pdf/Corporate%20Governance%20Plan.pdf</a></p> <p>The Nomination and Remuneration Committee consists of three members. Of these members, all are independent Non-Executive Directors, namely, Mr Simon Woodfull replacing Mr Simon Green, Mr Haoming Yu and Mr Ross Benson.</p> <p>The Nomination and Remuneration Committee is chaired by an independent Non-Executive Director, Mr Woodfull, who is not the chairman of the Board.</p> <p>The Committee meeting was conducted on 9 December 2019 with all Committee members in attendance.</p> |
| <p>8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>  | Complies       | <p>Under the Nomination and Remuneration Committee Charter, the Nomination and Remuneration Committee will separately consider and review the remuneration packages of Non-Executive Directors, Executive Directors and senior executives to make sure that the structure of remuneration for Non-Executive Directors is clearly distinguished from that of Executive Directors and senior executives.</p>  |
| <p>8.3 A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>   | Not applicable | <p>The Company has not yet established an equity- based remuneration scheme and therefore currently doesn't have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme.</p> <p>However, the Nomination and Remuneration Committee is responsible for monitoring Board members and senior executives to ensure no transactions in associated products are entered into which limit the economic risk of participating in unvested entitlements under any equity-based remuneration scheme if any.</p>   |

# Directors' Report

The directors of 99 Wuxian Limited ("The Company") present their annual report together with the audited consolidated financial statements for the year ended 31 December 2019.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and other particulars of the Company's subsidiaries are set out in note 32 to the financial statements.

## FINANCIAL STATEMENTS AND APPROPRIATIONS

The financial performance of the Company for the year ended 31 December 2019 and the financial position of the Company as at that date are set out in the financial statements on pages 36 to 84.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2019.

## DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Ms. Amalisia Zhang ("Ms. Zhang")

Mr. Christopher Ryan

Mr. Haoming Yu

Mr. Ross Benson

Mr. Simon Green (resigned with effect from 18 November 2019)

Mr. Simon Woodfull (appointed with effect from 18 November 2019)

Mr. Wen Tao

In accordance with the Company's articles of association, the directors retire and, being eligible, offer themselves for re-election.

## DIRECTORS

The directors of the Company's subsidiaries included in the consolidated financial statements during the year and up to the date of this report were as follows:

Ms. Cheng Xiao Ling

Mr. Ding Zhi Wei

Ms. Liu Yan

Mr. Ma Jian Guo

Ms. Qian Jing Wen

Mr. Sheng Yun Dong

Mr. Tang Jian Bin

Mr. Tong Nan

Mr. Wang Hao Qi

Mr. Wen Tao

Ms. Zhang

Ms. Zhang Qi

Mr. Zhang Ying Jin

Mr. Jiang Chuan Wen

## **MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

Ms. Zhang, a beneficial shareholder in Jiangsu Ofpay E-commerce Limited (“Ofpay”), held an interest in contracts for the provision of mobile recharge services in the sum of RMB161,582,692 and RMB29,870,000 with Shanghai Handpal Information Technology Co., Ltd (“Shanghai Handpal”) and Shanghai Handqian Information Technology Co., Ltd respectively, subsidiaries of the Company. The directors are of the opinion that these services are based on standard commercial terms, published prices and conditions similar to those offered to the major customers of the service provider.

Ms. Zhang, as a beneficial shareholder in Ofpay, held an interest in contracts for the provision of mobile recharge services of RMB412,910,012 with Shanghai Handpal to Ofpay. The directors are of the opinion that these services are subject to standard commercial terms, the published prices and conditions similar to those offered to the major customers of Shanghai Handpal.

Save as disclosed above and elsewhere in the financial statements, there are no other contracts of significance to which the Company’s holding companies or subsidiaries was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly during or at the end of the financial year.

## **EQUITY-LINKED AGREEMENTS**

In November 2017, the Company and a subsidiary obtained three equity-linked loans with principal amounts of A\$950,000 (equivalent to RMB4,974,105), RMB6,250,000 and RMB5,000,000 (collectively “Equity-linked Loans I”) respectively for general working capital purpose. Equity-linked Loans I carry a coupon rate of 10% per annum, which were paid quarterly on 17 February 2018, 17 May 2018, 17 August 2018 and 17 November 2018. The lenders of Equity-linked Loans I are entitled to unlisted call options (the “Call Option I”) which would provide the lenders the right to acquire a maximum of total 31,429,825 CHESS Depositary Interests (“CDIs”) of the Company at a fixed price of A\$0.10 per option at any time prior to 17 November 2020.

In November 2018, the Company and a subsidiary redeemed part of the Equity-linked Loans I at a price equal to the sum of principal amount of RMB4,056,026 upon maturity. The terms and conditions of the principal amount of outstanding Equity-linked Loans I of RMB12,168,079 (the “Modified Equity-linked Loans I”) were amended and modified. The Maturity Date of Modified Equity-linked Loans I was extended by four months, from 17 November 2018 to 17 March 2019.

The coupon rate is adjusted from 10% to 13% per annum. The Call Options I were extended by six months and convertible at any time prior to 17 May 2021. Except for the above, all other terms and conditions of the Modified Equity-linked Loans I remain unchanged from the original terms.

In January 2018, the Company obtained an equity-linked loan with principal amount of A\$250,000 (equivalent to RMB1,271,050) (“Equity-linked Loan II”) for general working capital purpose. Equity-linked Loan II carries a coupon rate of 10% per annum, which has been paid quarterly on 22 April 2018, 22 July 2018, 22 October 2018 and 22 January 2019. The lender of Equity-linked Loan II is entitled to unlisted call options which would provide the lender the right to acquire a maximum of total 2,500,000 CDIs of the Company at a fixed price of A\$0.10 per option at any time prior to 22 January 2021.

In February 2018, the Company’s subsidiary obtained an equity-linked loan with principal amount of RMB1,500,000 (“Equity-linked Loan III”) for general working capital purpose. Equity-linked Loan III carries a coupon rate of 10% per annum, which has been paid quarterly on 20 May 2018, 20 August 2018, 20 November 2018 and 20 February 2019. The lender of Equity-linked Loan III is entitled to unlisted call options which would provide the lender the right to acquire a maximum of total 3,000,000 CDIs of the Company at a fixed price of A\$0.10 per option at any time prior to 20 February 2021.

During the year ended 31 December 2019, the Company and the subsidiary has redeemed the entire outstanding balances of Modified Equity-linked Loans I, Equity-linked Loan II and Equity-linked Loan III at a price equal to the sum of principal amounts upon their maturity.

## **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

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

## **PERMITTED INDEMNITY PROVISIONS**

During the financial year and as at the date of this report, a qualifying indemnity provision made by the Company for the benefit of the directors of the Company is in force.

## **BUSINESS REVIEW**

### **Business overview and key operating and financial metrics**

The Company is a customer engagement technology and solution provider, helping business partners acquire, engage, enhance, retain and grow customers. The Company satisfies business partners' evolving demands of bringing offline customers to online, attracting potential new customers and improving customer engagement.

The Company has two competitive technology platforms, which are Mobile Solutions Platform (previously called M-Commerce Marketing Solutions Platform) and Cloud Delivered Solutions Platform (previously called Cloud Services Platform). The Company provides various products and services portfolio and mix including 99 Marketplace, Business Procurement Tools, Integrated Marketing Solutions, Loyalty Marketing Program, Rewards Redemption, Employee Benefit Services, Insurance Broker Services and Consumer Behaviour Data Analysis. These services can be separately provided or combined with other services to form total solutions to business partners.

With the continuous effort and better understanding of business partners' demands, the Company reported the revenue of RMB 189.1 million (AUD 39.4 million) in FY2019 with an increase of 47% by compared with FY2018, and reported the gross profit of RMB 188 million (AUD 39.2 million) with an increase of 50% from FY2018. The Company reported the net profit of RMB 13.1 million (AUD 2.7 million) in FY2019, which is solid progress that it turned to a net profit position from the net loss of RMB 9.2 million (AUD 1.9 million) in FY2018.

The Company will continually deepen market researches and engage with business partners and their customers to ensure the products and services designed are precisely match their needs and demands. In this process, the Company will broaden the cooperation with current and potential business partners, improve the service standards. In 2020, the Company will constantly enhance its capabilities and competitiveness, maintain a good long-term relationship with business partners, diversify its products and services portfolio, and deliver more comprehensive and flexible services and products.

## **BUSINESS REVIEW - Continued**

### **Environmental policies and compliance**

The Company sources substantially its revenue from China and the operations are therefore impacted by the economic, political and legal factors in the country. The Company has been always capturing the favourable external factors and complying with all the applicable laws, rules and regulations to ensure that the business can be carried out effectively.

China's Gross Domestic Product ("GDP") in 2019 increased by 6.1% compared with 2018 and the total amount of GDP reached over RMB 99.09 trillion, according to the National Bureau of Statistics. China ranks

the second largest economy in the world, only next to the United States. And according to the IMF's GDP forecast by the end of 2019, China will maintain solid GDP growth and expected to increase by 6% in 2020. However given the considerable economic disruption of Coronavirus outbreak in the first quarter and growing global volatility, China's real GDP growth maybe decrease to a lower level in 2020. We believe that the Chinese government will manage the continued spread of the Coronavirus with targeted quarantines, stimulus efforts will start to recover the economy from the second quarter.

Innovation is always the key driver for economic development, and the Chinese Government is continually encouraging the development of technology creations and internet innovations by granting privileges and policies. Moreover, the government is vigorously promoting "Internet plus" through all aspects of the economy. The Government's favourable view of technology development and innovation supports the development of the Company's business.

China has adopted and implemented the uniform standards and rules to promote the reform in credit supervision and "Internet + supervision". China's economy, including the e-commerce and m-commerce market, is subject to rigorous supervision and regulation from the government. In 2019, the government implemented the positive monetary policies and fiscal policies which impact the market and companies in various aspects including taxation, interest rates, etc. Specifically, with regard to the M-commerce industry, the government has imposed Provisional Measures on Online Merchandise Transactions and Relevant Services, Standards of Third Party Electronic Commerce Platform Services, Regulations on Information System Security Protection, based on laws covering Contract Law, Consumer Protection Law, Product Quality Law, and Trademark Law, etc. These standards and laws keep the good order of the industry market, standardize the industry behaviors, strengthen the industry management and guarantee healthy competition in the maximum extent. The Company acts carefully and ensures compliance with all the laws, rules and regulations, by setting up specific departments to handle the relevant affairs, including the law department, internal control and compliance department, and public affairs department to avoid risks.

## **BUSINESS REVIEW - Continued**

### **Risk factors**

Risk identification is crucial, neglect of which could adversely impact the Company.

External risk factors include:

- **Risks in laws, rules and regulations:**

The Chinese Government has implemented relevant laws, rules and regulations in recent years to strictly monitor and regulate the M-commerce industry, However, there are still some uncertainties in the interpretation and enforcement of relevant laws, rules and regulations since the M-commerce business is just in an early stage in China. Besides, the Government may issue new laws, rules and regulations to fit in the developing M-commerce business and require the market players to react promptly. The Company is constantly following up with any change in laws, rules and regulations and take action immediately to avoid any non-compliance which could probably result in punishment from the government that could hurt the Company's reputation and earnings.

- **Risks in macro economy:**

With the deteriorating global outbreak of Coronavirus, the demand and production have plummeted, investment, consumption and exports have been significantly impacted. The short-term unemployment and prices of commodities have risen. To prevent and control the epidemic, people were asked to avoid large-scale migration and aggregation, and to isolate if needed, which effectively control the epidemic at the expense of significantly reduce consumption demands. It was delayed that people return to the cities and back to work, enterprises stopped work and reduced production, and investment in manufacturing and infrastructure stagnated for a short time. All of those situations adversely impact on the domestic economy, especially in the first quarter of 2020.

- **Risks in suppliers:**

As to certain special categories of products, the stability of supply could involve uncertainties. For instance, the Company has added the petrol card into its product portfolio, and the ultimate suppliers are those Chinese oil companies who are monopolists in the oil industry. If they decide not to distribute the petrol cards online any longer, then it will be hard to source substitutes. The oil industry is different from other competitive markets so the attitude of petrol card suppliers toward Internet distribution also constitutes risks.

- **Risks in business partners:**

Plenty of Company's business partners are financial institutions, such as banks and insurance companies, the development of which is easily influenced by policy, regulation and economic environment. If the economy declines or the regulations are tightened, the demands of the Company's business partners will decrease, which will adversely affect the Company's business development.

## **BUSINESS REVIEW - Continued**

### **Risk factors – Continued**

Internal risk factors include:

- **Risks in strategic business development:**

The Company pursues long term sustainable interests in the process of business development, which requires large up-front investment and working capital commitment for new projects, prepayment for rewards redemption business, expenditure on marketing activities, etc. It takes time to get investments reimbursed and generate considerable profits, which cannot be immediately reflected by short term financial results.

- **Risks in knowing the consumers:**

One of the competitive advantages of the company is to always provide comprehensive products and services to satisfy the developing demands of consumers. Knowing consumers' preferences assures the Company to offer the optimal solutions. Consumer behaviour continues to evolve and any failures by the Company to recognise these changes would be detrimental.

- **Risks in information technology:**

With the increases in the Company's business volume, higher capacity and processing speed are required both by our business partners and consumers. Any failures to maintain technology infrastructure including system upgrades and hardware enhancements could lead to system disruptions, slower responses and delays in processing. Any failures to maintain information systems, networks, databases and access authorities could seriously affect the operations of the Company.

To better control information technology risk, the Company has established a comprehensive risk control and management mechanisms to prevent the risks from occurring and enable quick response by utilising the Company's business risk alert systems. The CTO leads the business risk alert task force, which is composed of talents from the quality and risk control department, business lines, and relevant supportive functions. On a quarterly basis, the task force assesses the risks associated with both the external environment and internal operations, projects on different scenarios, and proposes relevant emergency-response plans and procedures.



## **BUSINESS REVIEW - Continued**

### **Employee relations management**

The Company always regards employees as one of its most valuable resources and takes well-defined measures to constantly improve employee relations management. The Company recruits high quality professional talents in technology, sales and finance fields and provides them with competitive compensation packages as motivations. The Company also offers employees various and flexible benefits to deliver a message of employee care. Moreover, the Company helps employees with their career developments by providing trainings and effective, transparent and reasonable promotion mechanisms to ensure fairness and employee satisfaction.

### **Business partner relations management**

The Company provides Mobile Solutions and Cloud Delivered Solutions for business partners to help them to be fully engaged with their customers and employees. The Company believes that having a solid partnership is the key factor to the business success, so the Company is always committed to maintaining and strengthening the partnership while developing new business partners. With the progress of Company's technology, research and development capabilities, which will provide better understanding of business partners' evolving demands, so as to provide them better products and services to fulfill their needs.

### **Consumer relations management**

The Company is devoted to offering outstanding consumer service and experience. The Company has a 7\*24 hotline and diversified online consumer service platforms such as WeChat terminals to handle the inquiries, problems and complaints from the consumers in a timely manner. The Company's efficient consumer service team and consumer relations management system are welcomed by its consumers, as well as its business partners.

### **Merchant relations management**

The Company has a set of merchant management mechanisms including the merchant admittance mechanism which obligates rigorous check of potential merchants' qualifications, background and industry reputation, and the merchant evaluation mechanism which reviews their products and services on a regular basis. The Company actively sources more high quality and diversified merchants, boards them onto the platform to improve its offerings and provides incentives to them for better cooperation. For those merchants who fail in the admittance and evaluation process, the Company will not include them into the portfolio or will temporarily take their products and services off the platform and send notifications to them requiring immediate rectification for re-evaluation later. In this way, the Company ensures a high quality merchant mix and product mix.

## **AUDITOR**

The consolidated financial statements for the year have been audited by BDO Limited. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board



Mr. Ross Benson

Chairman

Hong Kong, 31 March 2020



# Independent Auditor' Report



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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 99 WUXIAN LIMITED**

(incorporated in Hong Kong with limited liability)

### **Opinion**

We have audited the consolidated financial statements of 99 Wuxian Limited ("the Company") and its subsidiaries (herein referred to as the "Group") set out on pages 16 to 97, 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 and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated 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") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### **Basis for Opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

BDO Limited  
香港立信德豪會計師事務所有限公司

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 99 WUXIAN LIMITED**

(incorporated in Hong Kong with limited liability)

### **Key Audit Matters - Continued**

#### **Revenue recognition and presentation**

*Refer to notes 4(i), 5(b) and 7 to the financial statements*

In the Group's industry, a variety of contracts and arrangements may be entered into by the Group and its customers. Due to the complexity of these contracts and arrangements, there are risks in relation to the accuracy and completeness of amounts recorded as revenue and the proper presentation of revenue. Careful consideration and judgement are required to determine the recognition policy and presentation of revenue.

#### *Our response:*

Our audit procedures on recognition and presentation of the Group's revenue included:

- Understanding the policies and procedures applied to revenue recognition and those revenues requiring the exercise of significant management judgement;
- Understanding the systems involved in recording revenues and testing the operating effectiveness of associated internal controls;
- Performing analytical reviews on the revenue;
- Assessing the appropriateness of the presentation of the revenue; and
- Performing substantive audit procedures including reviewing customer contracts on sample basis.

#### **Recoverability of trade and other receivables**

*Refer to notes 4(f)(ii), 5(f), 21 and 36(a) to the financial statements*

The balance of trade and other receivables were significant to the Group and constituted a substantial portion of the Group's total assets as at 31 December 2019. Management performed periodic assessment on the recoverability of the trade and other receivables. The assessment of impairment allowances is based on information including credit profile of different debtors, ageing of the receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant debtors. Management also considered forward-looking information that may impact the debtors' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.

We focused on this area due to the impairment assessment of trade and other receivables under the expected credit losses model involved the use of significant management judgements and estimates.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 99 WUXIAN LIMITED**

(incorporated in Hong Kong with limited liability)

### **Key Audit Matters - Continued**

#### **Recoverability of trade and other receivables - Continued**

##### *Our response:*

Our audit procedures on the recoverability of the Group's trade and other receivables included:

- Assessing the recoverability of trade and other receivables and the appropriateness of any impairment allowance to be recognised taking into account facts and circumstances for the Group's debtors;
- Reviewing settlement records subsequent to the reporting date and third party correspondence to obtain evidence for the recoverability of trade and other receivables; Reviewing the repayment history and credit worthiness of the Group's debtors; and
- Assessing the adequacy of the Group's disclosures regarding impairment assessment of trade and other receivables, including credit risk assessment and ageing analysis.

#### **Impairment assessment of property, plant and equipment, intangible assets and goodwill**

*Refer to notes 4(n), 5(e), 16, 17 and 18 to the consolidated financial statements*

Property, plant and equipment of approximately RMB9.6 million, intangible assets of approximately RMB70.2 million, and goodwill of approximately RMB3.4 million represent significant balances recorded in the consolidated statement of financial position of the Group as at 31 December 2019. These assets together with the Group's working capital are allocated to the cash generating unit ("CGU") in relation to the Group's provision of services on a online marketplace in the People's Republic of China.

The CGU is tested for impairment annually. Management determined the recoverable amount of this CGU based on cash flow projections, which included management judgements and estimates of growth rates and discount rates. Any shortfall in the recoverable amount against the carrying amount of this CGU would be recognised as impairment loss. The determination of recoverable amount requires significant management judgement and estimates, and valuations prepared by independent professional valuer were obtained in order to support these judgements and estimates.

##### *Our response:*

Our audit procedures on the impairment assessment of the Group's property, plant and equipment, intangible assets and goodwill included:

- Understanding and evaluating the reasonableness of key assumptions used by management in the value-in-use calculation, who was assisted by an independent professional valuer as engaged by the Group (the "Management Expert"), taking into account the Group's historical performance and future operating plans;
- Assessing the qualification and competence of the Management Expert; and
- Assessing the valuation methodology and key inputs of the value-in-use calculation, including the growth rates and discount rates.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 99 WUXIAN LIMITED**

(incorporated in Hong Kong with limited liability)

### **Other Information in the Annual Report**

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Prior to the date of this auditor's report, we have obtained the directors' report but have not obtained the remaining other information included in the annual report (the "Remaining Other Information"), which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Remaining Other Information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit and Risk Management Committee and take appropriate action considering our legal rights and obligations.

### **Directors' Responsibilities for the Consolidated Financial Statements**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and 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 directors are also responsible for overseeing the Group's financial reporting process. The Audit and Risk Management Committee assists the directors in discharging their responsibility in this regard.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 99 WUXIAN LIMITED**

(incorporated in Hong Kong with limited liability)

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 99 WUXIAN LIMITED**

(incorporated in Hong Kong with limited liability)

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - Continued**

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Risk Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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BDO Limited

Certified Public Accountants

Lui Chi Kin

Practising Certificate Number P06162

Hong Kong, 31 March 2020

# Financial Statements

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

|   | Notes | 2019<br>RMB   | 2018<br>RMB  |
|---|-------|---------------|--------------|
| Revenue   | 7     | 189,133,588   | 128,814,460  |
| Cost of sales   |       | (1,169,497)   | (3,609,945)  |
| Gross profit  |       | 187,964,091   | 125,204,515  |
| Other revenue   | 8     | 6,212,773     | 7,936,294    |
| Other gains and losses, net                                     | 9     | 8,518,352     | 571,181      |
| Selling and distribution expenses                               |       | (107,147,270) | (66,964,810) |
| Administration expenses   |       | (65,180,304)  | (60,935,446) |
| Reversal of impairment losses<br>on trade and other receivables | 36(a) | 338,433       | 183,749      |
| Operating profit  |       | 30,706,075    | 5,995,483    |
| Finance costs   | 10    | (13,960,599)  | (18,333,768) |
| Profit/(loss) before income tax                                 | 11    | 16,745,476    | (12,338,285) |
| Income tax (expense)/credit                                     | 13    | (3,620,943)   | 3,168,796    |
| Profit/(loss) for the year                                      |       | 13,124,533    | (9,169,489)  |
| Other comprehensive income for the year                         |       | -             | -            |
| Total comprehensive income for the year                         |       | 13,124,533    | (9,169,489)  |
| Earnings/(loss) per share (RMB)                                 | 14    |               |              |
| -Basic  |       | 0.011         | (0.008)      |
| -Diluted  |       | 0.005         | (0.008)      |



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2019

|                                      | Notes | 2019<br>RMB        | 2018<br>RMB        |
|--------------------------------------|-------|--------------------|--------------------|
| <b>ASSETS AND LIABILITIES</b>        |       |                    |                    |
| <b>NON-CURRENT ASSETS</b>            |       |                    |                    |
| Property, plant and equipment        | 16    | 9,641,986          | 3,327,924          |
| Intangible assets                    | 17    | 70,214,961         | 72,475,121         |
| Goodwill                             | 18    | 3,440,400          | 3,440,400          |
| Loan to a director                   | 19    | -                  | 40,000,000         |
| Deferred tax assets                  | 26    | 13,975,759         | 17,123,341         |
| <b>Total non-current assets</b>      |       | <b>97,273,106</b>  | <b>136,366,786</b> |
| <b>CURRENT ASSETS</b>                |       |                    |                    |
| Inventories                          | 20    | 325,309            | 1,099,015          |
| Trade and other receivables          | 21    | 510,703,440        | 448,443,362        |
| Loan to a director                   | 19    | 40,000,000         | -                  |
| Tax recoverable                      |       | 4,871,474          | 4,355,850          |
| Cash and bank balances               | 22    | 108,125,080        | 105,585,682        |
| <b>Total current assets</b>          |       | <b>664,025,303</b> | <b>559,483,909</b> |
| <b>NON-CURRENT LIABILITIES</b>       |       |                    |                    |
| Derivative financial instruments     | 25    | -                  | 3,314,450          |
| Lease liabilities                    | 29    | 983,615            | -                  |
| Deferred tax liabilities             | 26    | 7,181,423          | 7,488,103          |
| <b>Total non-current liabilities</b> |       | <b>8,165,038</b>   | <b>10,802,553</b>  |
| <b>CURRENT LIABILITIES</b>           |       |                    |                    |
| Trade and other payables             | 23    | 126,723,487        | 96,520,203         |
| Contract liabilities                 | 7     | 168,993,418        | 134,370,547        |
| Amount due to a related party        | 24    | 17,256             | 136,057            |
| Amounts due to a director            | 24    | 45,680,000         | 13,980,000         |
| Derivative financial instruments     | 25    | 1,723,463          | 5,959,304          |
| Bank and other loans                 | 25    | 82,700,000         | 122,116,552        |
| Lease liabilities                    | 29    | 4,082,163          | -                  |
| Current tax liabilities              |       | 2,055,306          | 1,431,734          |
| <b>Total current liabilities</b>     |       | <b>431,975,093</b> | <b>374,514,397</b> |
| <b>NET CURRENT ASSETS</b>            |       | <b>232,050,210</b> | <b>184,969,512</b> |
| <b>NET ASSETS</b>                    |       | <b>321,158,278</b> | <b>310,533,745</b> |
| <b>EQUITY</b>                        |       |                    |                    |
| Share capital                        | 27    | 313,675,893        | 313,675,893        |
| Reserves                             | 28    | 7,482,385          | (3,142,148)        |
| <b>TOTAL EQUITY</b>                  |       | <b>321,158,278</b> | <b>310,533,745</b> |

The consolidated financial statements on pages 36 to 84 were approved by and authorised for issue by the board of directors on 31 March 2020 and are signed on its behalf by:



Mr. Ross Benson  
Director



Ms. Amalisa Zhang  
Director



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

|   | Share<br>capital<br>RMB<br>(Note 27) | Statutory<br>reserve<br>RMB<br>(Note 28) | Other<br>reserve<br>RMB<br>(Note 28) | Retained<br>earnings/<br>(accumulated<br>losses)<br>RMB | Total<br>RMB |
|---|--------------------------------------|--|--------------------------------------|---|--------------|
| <b>Balances at 1 January 2018</b>                               | 313,675,893                          | -  | -                                    | 6,027,341   | 319,703,234  |
| Loss for the year and total comprehensive income for the year   | -                                    | -  | -                                    | (9,169,489)   | (9,169,489)  |
| <b>Balance at 31 December 2018</b>                              | 313,675,893                          | -  | -                                    | (3,142,148)   | 310,533,745  |
| Acquisition of additional interests in a subsidiary             | -                                    | -  | (2,500,000)                          | -   | (2,500,000)  |
| Profit for the year and total comprehensive income for the year | -                                    | -  | -                                    | 13,124,533  | 13,124,533   |
| Transfer to statutory reserve                                   | -                                    | 1,840,198                                | -                                    | (1,840,198)   | -            |
| <b>Balance at 31 December 2019</b>                              | 313,675,893                          | 1,840,198                                | (2,500,000)                          | 8,142,187   | 321,158,278  |

- These reserve accounts comprise the consolidated reserves of RMB7,482,385 (2018: deficit balance of RMB3,142,148) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER 2019

|  | 2019<br>RMB  | 2018<br>RMB  |
|--|--------------|--------------|
| <b>Cash flows from operating activities</b>                                      |              |              |
| Profit/(loss) before income tax  | 16,745,476   | (12,338,285) |
| Adjustments for:   |              |              |
| Interest income  | (2,291,882)  | (2,502,900)  |
| Finance costs  | 13,960,599   | 18,333,768   |
| Depreciation of property, plant and equipment                                    | 7,621,837    | 2,464,484    |
| Loss on disposal of property, plant and equipment                                | 2,991        | -            |
| Amortisation of intangible assets  | 4,059,093    | 3,933,114    |
| Amortisation of deferred initial differences on derivative financial liabilities | 546,855      | 2,350,913    |
| Reversal of impairment loss of trade receivables                                 | (338,433)    | (183,749)    |
| Loss arising from modification of equity-linked loans                            | -            | 630,714      |
| Change in fair value of derivative financial instruments                         | (2,125,975)  | (1,321,332)  |
| Gain on redemption of equity-linked loans  | (5,971,171)  | -            |
| Exchange (gain)/loss, net  | (421,206)    | 119,437      |
| <b>Operating profit before changes in working capital</b>                        | 31,788,184   | 11,486,164   |
| Decrease in inventories  | 773,706      | 5,232,787    |
| Increase in trade and other receivables  | (62,187,420) | (29,405,518) |
| Increase in trade and other payables and contract liabilities                    | 64,290,985   | 44,410,521   |
| (Increase)/decrease in balance with a related party                              | (118,801)    | 8,893        |
| <b>Cash generated from operations</b>  | 34,546,654   | 31,732,847   |
| Interest received  | 2,291,882    | 2,502,900    |
| Income taxes paid  | (672,093)    | (5,529,893)  |
| <b>Net cash generated from operating activities</b>                              | 36,166,443   | 28,705,854   |
| <b>Cash flows from investing activities</b>                                      |              |              |
| Purchases of property, plant and equipment                                       | (3,006,155)  | (417,065)    |
| Additions of intangible assets   | (1,798,933)  | (660,739)    |
| Repayment from a director  | -            | 20,000,000   |
| Decrease in pledged bank deposit   | 33,600,000   | 2,800,000    |
| <b>Net cash generated from investing activities</b>                              | 28,794,912   | 21,722,196   |

# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

|   | 2019<br>RMB   | 2018<br>RMB   |
|---|---------------|---------------|
| <b>Cash flows from financing activities</b>                         |               |               |
| Advances from a director  | 31,700,000    | 13,980,000    |
| Proceeds from borrowings  | 67,700,000    | 175,621,850   |
| Repayments of borrowings  | (106,969,129) | (213,648,826) |
| Acquisition of additional interests in a subsidiary                 | (2,500,000)   | -             |
| Interest paid   | (12,698,326)  | (11,812,732)  |
| Repayment of lease liabilities                                      | (6,475,708)   | -             |
| <b>Net cash used in financing activities</b>                        | (29,243,163)  | (35,859,708)  |
| <b>Net increase in cash and cash equivalents</b>                    | 35,718,192    | 14,568,342    |
| <b>Cash and cash equivalents at the beginning of year</b>           | 56,985,682    | 42,536,777    |
| <b>Effect of exchange rate changes on cash and cash equivalents</b> | 421,206       | (119,437)     |
| <b>Cash and cash equivalents at the end of year</b>                 | 93,125,080    | 56,985,682    |

# Notes to the Financial Statements

## CONTENTS

### to the notes to the financial statements

|    |  |    |    |   |    |
|----|--|----|----|---|----|
| 1  | General  | 42 | 20 | Inventories   | 67 |
| 2  | Adoption of HONG KONG financial reporting standards ("hkfrss")           | 42 | 21 | Trade and other receivables                                       | 67 |
| 3  | Basis of preparation   | 46 | 22 | Cash and bank balances  | 68 |
| 4  | Principal accounting policies  | 46 | 23 | Trade and other payables  | 68 |
| 5  | Critical accounting judgements and key sources of estimation uncertainty | 58 | 24 | Amount due to a related party /a director                         | 68 |
| 6  | Segment reporting  | 59 | 25 | Bank and other loans  | 69 |
| 7  | Revenue  | 59 | 26 | Deferred taxation   | 72 |
| 8  | Other revenue  | 60 | 27 | Share capital   | 72 |
| 9  | Other gains and losses, net  | 61 | 28 | Leases  | 73 |
| 10 | Finance costs  | 61 | 29 | Operating lease commitment  | 73 |
| 11 | Profit/(loss) before income tax  | 61 | 30 | Capital commitment  | 75 |
| 12 | Directors' emoluments  | 62 | 31 | Statement of financial position of the company                    | 75 |
| 13 | Income tax credit/(expense)  | 62 | 32 | Interests in subsidiaries   | 76 |
| 14 | Earnings/(loss) per share  | 63 | 33 | Related party transactions  | 77 |
| 15 | Dividend   | 63 | 34 | Note to the consolidated statements of cash flows                 | 77 |
| 16 | Property, plant and equipment  | 64 | 35 | Capital risk management   | 79 |
| 17 | Intangible assets  | 65 | 36 | Financial risk management   | 79 |
| 18 | Goodwill   | 66 | 37 | Summary of financial assets and financial liabilities by category | 84 |
| 19 | Loan to a director   | 66 | 38 | Event after the reporting date                                    | 84 |

## 1. GENERAL

99 Wuxian Limited (the “Company”) is a limited liability company incorporated in Hong Kong. The Company passed a special resolution on 2 March 2020 to change its name to 99 Technology Limited. Up to the date of authorisation of this financial statements, the change of name is subject to and conditional upon the approval of the Registrar in Hong Kong. Its CHESS Depositary Interests (“CDIs”) are listed on the Australian Securities Exchange (stock code: NNW). The principle place of business is located at 3F, Hong Kong Prosperity Tower, Meng Zi Rd, Huangpu District, Shanghai, 200023. The address of the registered office is located at 27/F., Alexandra House, 18 Chater Road, Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of subsidiaries are described in note 32 to the financial statements. The Company and its subsidiaries are referred to as the “Group” hereinafter.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### (a) Adoption of new/revised HKFRSs – effective 1 January 2019

In current year, the Group has adopted, for the first time, the following new and revised standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants which are relevant to the Group’s operations and effective for its financial statements for the annual period beginning on 1 January 2019:

|   |   |
|---|---|
| HKFRS 16                                      | Leases  |
| HK(IFRIC)–Int 23                              | Uncertainty over Income Tax Treatments  |
| Amendments to HKFRS 9                         | Prepayment Features with Negative Compensation  |
| Annual Improvements to HKFRSs 2015-2017 Cycle | Amendments to HKFRS 3, Business Combinations<br>Amendments to HKFRS 11, Joint Arrangements<br>Amendments to HKAS 12, Income Taxes<br>Amendments to HKAS 23, Borrowing Costs |

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group’s accounting policies.

### HKFRS 16 – Lease

#### (i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces Hong Kong Accounting Standard (“HKAS”)17 Leases, HK(IFRIC)–Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)–Int 15 Operating Leases–Incentives and HK(SIC)–Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee’s perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor’s perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group’s accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment (if any) to the opening balance of retained earnings at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following table summarises the impact of transition to HKFRS 16 on the consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

RMB

|  |           |
|--|-----------|
| <b>Statement of financial position as at 1 January 2019</b>    |           |
| Right-of-use assets presented in property, plant and equipment | 8,746,791 |
| Trade and other receivables                                    | (218,826) |
| Lease liabilities (non-current)                                | 3,372,085 |
| Lease liabilities (current)                                    | 5,233,835 |
| Trade and other payables                                       | (77,955)  |

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 January 2019:

RMB

|   |           |
|---|-----------|
| <b>Reconciliation of operating lease commitment to lease liabilities</b>  |           |
| Operating lease commitment as of 31 December 2018                         | 9,584,928 |
| Less: short term leases for which lease terms end within 31 December 2019 | (138,401) |
| Less: future interest expenses  | (840,607) |
| Total lease liabilities as of 1 January 2019                              | 8,605,920 |

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 is 7.5%.

## (ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the 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, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease.

## (iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases; and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

#### **Right-of-use asset**

The right-of-use asset is recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

#### **Lease liability**

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

#### **(iv) Transition**

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment (if any) to the opening balance of retained earnings at the date of initial application (1 January 2019). The Group has assessed and considered the effect of adoption of HKFRS 16 on the opening balance of retained earnings was insignificant and therefore no adjustment has been made. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 and measure at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019; and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

### **HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments**

The Interpretation supports the requirements of HKAS 12 "Income Taxes" by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

### **Amendments to HKFRS 9 - Prepayment Features with Negative Compensation**

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

### **Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations**

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

### **Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 11, Joint Arrangements**

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

### **Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes**

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

### **Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs**

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.



## **(b) New/revised HKFRSs that have been issued but are not yet effective**

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

|                                 |                                       |
|---------------------------------|---------------------------------------|
| Amendments to HKFRS 3           | Definition of a business <sup>1</sup> |
| Amendments to HKAS 1 and HKAS 8 | Definition of material <sup>1</sup>   |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

### **Amendments to HKFRS 3 – Definition of a business**

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

### **Amendments to HKAS 1 and HKAS 8 – Definition of material**

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

## **3. BASIS OF PREPARATION**

### **(a) Statement of compliance**

The financial statements have been prepared in accordance with all applicable HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as the "HKFRS") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements.

### **(b) Basis of measurement**

The financial statements have been prepared under the historical cost basis, except for derivative financial instruments which are measured at fair value as explained in the accounting policies set out below.

### **(c) Functional and presentation currency**

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company as the majority of the Group's transactions are denominated in RMB.

## **4. PRINCIPAL ACCOUNTING POLICIES**

A summary of significant accounting policies adopted by the Group is set out below.

## **(a) Business combination and basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

## **(b) Subsidiaries**

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and other parties who hold voting rights;
- Other contractual arrangements; and
- Historic patterns in voting attendance

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

### (c) Goodwill

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGU") that are expected to benefit from the synergies of the acquisition. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4(n)), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value-in-use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

### (d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

|                                 |  |
|---------------------------------|--|
| Leasehold improvements          | The shorter of lease terms and 5 years |
| Electronic and office equipment | 3 years                                |
| Motor vehicles                  | 4 years                                |

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

### (e) Leasing

#### A. Accounting policies applied from 1 January 2019

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases; and/or (ii) leases for which the

underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

#### ***Right-of-use asset***

The right-of-use asset is recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

#### ***Lease liability***

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

## **B. Accounting policies applied until 31 December 2018**

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

#### ***The Group as lessee***

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

## **(f) Financial instruments**

### **(i) Financial assets**

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit and loss ("FVPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

### **Debt instruments**

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

**Fair value through other comprehensive income ("FVOCI"):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

**FVPL:** Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

### **Equity instruments**

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

## **(ii) Impairment loss on financial assets**

The Group recognises loss allowances for expected credit losses ("ECLs") on trade receivables, and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group applies simplified approach in HKFRS 9 to measure loss allowance for all trade receivables at an amount equal to lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a default event occurs when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 365 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group considers a financial asset to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

### **(iii) Financial liabilities**

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

#### **Financial liabilities at FVPL**

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.



Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

#### **Financial liabilities at amortised cost**

Financial liabilities at amortised cost, including trade and other payables, amounts due to a related party and a director, lease liabilities and bank and other loans, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

#### **(iv) Convertible loan notes**

The component of convertible loan notes that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of transaction costs. On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible notes; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of convertible loan notes exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible loan notes is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible loan notes based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the statement of profit or loss.

#### **(v) Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

#### **(vi) Equity instrument**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Under the Hong Kong Companies Ordinance, Cap. 622, shares of the Company do not have a nominal value. Consideration received or receivable for the issue of shares is credited to share capital. Commissions and expenses are allowed to be deducted from share capital.

#### **(vii) Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at FVPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in 4(f)(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

#### **(viii) Derecognition**

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

### **(g) Inventories**

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

### **(h) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within 3 months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 4(f)(ii).



## (i) Revenue recognition

### Revenue recognition

#### Commission and service income

Commission and service income is derived from various comprehensive services such as provision of mobile recharge, online game recharge and merchandise sourcing services on mobile and online marketplaces in the PRC. Revenue is recognised upon the completion of sourcing services.

#### Sale of merchandises

The Group's contracts with customers for the sale of merchandises generally include one performance obligation. The Group has concluded that revenue from sale of merchandises should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the merchandises.

No element of financing is deemed present as the revenue are generally made with a credit term of 0-45 days, which is consistent with market practice.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

### Principal versus agent considerations

Determining whether the Group is acting as a principal or as an agent in the provision of services and sale of merchandises requires judgements and considerations of all relevant facts and circumstances. The Group is a principal in a transaction if the Group obtains control of services/merchandises provided before they are transferred to customers. If control is unclear, when the Group is primarily responsible for fulfilling the promise to provide the specified good or service in a transaction, has inventory risk and/or has latitude in establishing price and selecting supplier, or has several but not all of these indicators, the Group records revenues on a gross basis. Otherwise, the Group records the net amount earned.

### Contract liability

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

## (j) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries and an associate, 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

## **(k) Foreign currency**

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. 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 arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

## **(l) Employee benefits**

### **(i) Short term employee benefits**

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

### **(ii) Defined contribution retirement plan**

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

### **(iii) Termination benefits**

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

### **(iv) Other employee entitlements**

Employee entitlements to annual leave are recognised when they accrue to the employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

## **(m) Intangible assets**

### **(i) Acquired intangible assets**

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expenses.

|                       |              |
|-----------------------|--------------|
| Licensing arrangement | 30 years     |
| Insurance license     | 25 years     |
| Computer software     | 3 to 4 years |

### **(ii) Impairment**

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4(n)).

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 as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

## **(n) Impairment of assets (other than financial assets)**

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment under cost model; and
- investments in subsidiaries.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value-in-use) 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 as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent 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 as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value-in-use is based on the estimated future cash flows expected to be derived from the asset or CGU (see note 4(c)), 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 or CGU.

## **(o) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, and it is probable to result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

## **(p) Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

## **(q) Related Parties**

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group 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 the employees of the Group or an entity related to the Group.
- (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 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 Group or to the Group's parent.

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 and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

## **5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, the directors are required to make judgements, 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 differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing 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.

Except as discussed below, the directors of the Company are of the opinion that there are no significant effects on amounts recognised in the financial statements arising from the judgement used by management.

### **(a) Determination of functional currency**

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the group entities, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the group entities are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

### **(b) Revenue recognition for m-Commerce transaction business**

Certain M-Commerce transactions for mobile recharge, online game recharge, and merchandise sourcing services are recognised on a net basis. In assessing the recognition basis, the management concluded that the Group did not obtain control of goods or services provided before they are transferred to customers, while the Group mainly offers the service in sourcing the content providers on behalf of the customers, collecting money on behalf of the content providers as well as customer service to end users through the mobile marketplace. Therefore, the management reports the revenue of these m-Commerce transactions on a net basis.

### **(c) Income taxes**

The Group is subject to income taxes in the jurisdiction it operates. Significant judgement is required in determining the amount of provision for income taxes as well as deferred tax assets and liabilities. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

### **(d) Depreciation and amortisation**

Property, plant and equipment are depreciated and intangible assets are amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account their estimated residual values. The Group reviews the estimated useful lives of the assets regularly. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

### **(e) Impairment assessment of property, plant and equipment and intangible assets**

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment and intangible assets, recoverable amounts of these assets need to be determined. The recoverable amount is the greater of the fair value less costs of disposal and the value-in-use. It is difficult to precisely estimate fair value less costs of disposal because quoted market prices for these assets may not be readily available. In determining the value-in-use, expected cash flows generated by the assets are discounted to their present values, which require significant judgement relating to items such as level of sales, selling price, amount of operating costs and discount rate. The Group uses all readily available information in determining amounts that are reasonable approximations of recoverable amounts, including estimates based on reasonable and supportable assumptions and projections of items such as sales volume, selling price and amount of operating costs.

### **(f) Impairment assessment of trade and other receivables**

In considering the impairment losses that may be required for receivables, future cash flows need to be determined. One of the key assumptions that have to be applied is the ability of the debtors to settle the receivables. Although the Group has used all available information to make this estimation, inherent uncertainty exists and actual may be different from the amount estimated.

## **6. SEGMENT REPORTING**

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group's operating activities are attributable to a single operating segment focusing on provision of offering various services.

The Group's chief operating decision maker monitors assets and liabilities on a consolidated basis and not by reportable segment. Accordingly, no additional information on assets and liabilities is presented.

### **(a) Geographical information**

All of the Group's operations and assets are located in the PRC (including Hong Kong), in which all of its revenue was derived.

### **(b) Information about major customers**

No revenue are derived from customers which individually contributed more than 10% to the Group's revenue for the year ended 31 December 2018 and 2019.

## **7. REVENUE**

Revenue includes the net invoiced value of goods sold and commission income earned by the Group. Revenue from contracts with customer within the scope of HKFRS 15 during the year are disaggregated by each significant category of revenue and timing of revenue recognition as follows:

### Significant category

|  | 2019<br>RMB | 2018<br>RMB |
|--|-------------|-------------|
| <b>Revenue from contracts with customers</b> |             |             |
| - Commission and service income              | 188,096,385 | 127,199,749 |
| - Sales of merchandise                       | 1,037,203   | 2,319,228   |
|  | 189,133,588 | 129,518,977 |
| Less: other tax and relevant surcharge       | -           | (704,517)   |
| <b>Total</b>                                 | 189,133,588 | 128,814,460 |

### Timing of revenue recognition

|  | 2019<br>RMB | 2018<br>RMB |
|--|-------------|-------------|
| <b>Revenue recognised at point in time</b> | 189,133,588 | 128,814,460 |

The following table provides information about trade receivables and contract liabilities from contracts with customers:

|                             | 2019<br>RMB | 2018<br>RMB |
|-----------------------------|-------------|-------------|
| <b>Receivables</b>          | 182,733,168 | 179,968,993 |
| <b>Contract liabilities</b> | 168,993,418 | 134,370,547 |

The contract liabilities mainly relate to the advance considerations received from customers. Contract liabilities as at 1 January 2019 was RMB134,370,547 (1 January 2018: RMB147,399,972), of which RMB131,890,599 (2018: RMB147,399,972) was recognised as revenue during the year and the contract liabilities as at 31 December 2019 was arising from the advance considerations received from customers.

The Group has applied the practical expedient and decided not to disclose the amount of the remaining performance obligations for contracts as performance obligations under the contracts had an original expected duration of one year or less.

## 8. OTHER REVENUE

|                           | 2019<br>RMB | 2018<br>RMB |
|---------------------------|-------------|-------------|
| <b>Interest income</b>    |             |             |
| - Bank deposits           | 1,091,882   | 1,302,900   |
| - Loan to a director      | 1,200,000   | 1,200,000   |
| <b>Government grants*</b> | 3,141,890   | 2,773,516   |
| <b>Others</b>             | 779,001     | 2,659,878   |
|                           | 6,212,773   | 7,936,294   |

\* The Group received unconditional discretionary grants from the relevant PRC government authorities in support of enterprise operating in specified industry.

## 9. OTHER GAINS AND LOSSES, NET

|   | 2019<br>RMB | 2018<br>RMB |
|---|-------------|-------------|
| Exchange gain/(loss), net   | 421,206     | (119,437)   |
| Change in fair value of derivative financial instruments (note 25(d)) | 2,125,975   | 1,321,332   |
| Gain on redemption of equity linked loans (note 25(d))                | 5,971,171   | -           |
| Loss arising from modification of equity-linked loans                 | -           | (630,714)   |
|   | 8,518,352   | 571,181     |

## 10. FINANCE COSTS

|  | 2019<br>RMB | 2018<br>RMB |
|--|-------------|-------------|
| Interest on bank loans                           | 3,480,585   | 5,218,113   |
| Interest on debt elements of equity-linked loans | 448,966     | 8,319,354   |
| Interest on other loans                          | 9,234,477   | 4,796,302   |
| Interest on lease liabilities                    | 796,571     | -           |
|  | 13,960,599  | 18,333,768  |

## 11. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived at after charging:

|  | 2019<br>RMB | 2018<br>RMB |
|--|-------------|-------------|
| Auditor's remuneration   | 992,211     | 906,349     |
| Cost of inventories recognised as an expense   | 852,441     | 1,690,694   |
| <b>Employee costs (including directors) comprise:</b>  |             |             |
| - Contribution on defined contribution retirement plan   | 12,738,796  | 12,302,381  |
| - Salaries and staff benefits  | 50,024,390  | 46,197,793  |
|  | 62,763,186  | 58,500,174  |
| Total minimum lease payments for leases previously classified as operating leases under HKAS 17 (note) | -           | 5,233,639   |
| Short-term leases expenses   | 282,821     | -           |
| Interest on lease liabilities  | 796,571     | -           |
| Amortisation of intangible assets (note 17)  | 4,059,093   | 3,933,114   |
| Depreciation of property, plant and equipment (note 16)  | 1,625,390   | 2,464,484   |
| - Owned property, plant and equipment  | 5,996,447   | -           |
| - Right-of-use-assets (note)   | 7,621,837   | 2,464,484   |

Note:

The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 (if any) to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information has not been restated. See note 2(a) for details.



## 12.DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G) is as follows:

|  | 2019<br>RMB | 2018<br>RMB |
|--|-------------|-------------|
| Directors' fees                                      | 960,000     | 960,000     |
| Salaries, bonuses, allowances and benefits           | 2,190,000   | 2,205,000   |
| Contribution on defined contribution retirement plan | 100,407     | 95,356      |
|  | 3,250,407   | 3,260,356   |

## 13.INCOME TAX EXPENSE/(CREDIT)

|                                 | 2019<br>RMB | 2018<br>RMB |
|---------------------------------|-------------|-------------|
| Current tax – PRC               |             |             |
| -Tax for the year               | 963,683     | 1,685,524   |
| -Over-provisions in prior years | (183,642)   | -           |
|                                 | 780,041     | 1,685,524   |
| Deferred tax (note 26)          | 2,840,902   | (4,854,320) |
| Income tax expense/(credit)     | 3,620,943   | (3,168,796) |

Hong Kong profits tax is calculated at 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the year.

PRC Enterprise Income Tax ("EIT") is provided at the rates applicable to the subsidiaries in the PRC on the income for statutory reporting purpose, adjusted for income and expense items which are not assessable or deductible for income tax purposes based on existing PRC income tax regulations, practices and interpretations thereof. By reference to the EIT Law of the PRC as approved by the National People's Congress on 16 March 2007, EIT rate applicable to PRC group companies for the current year is 25% (2018: 25%).

Shanghai Handpal Information Technology Co., Ltd. ("Shanghai Handpal") and Shanghai Handqian Information Technology Co., Ltd. ("Shanghai Handqian") has been accredited as a High-tech Enterprise by the Accrediting Bodies under the Administrative Measures for Determination of High and New Technology Enterprises on 2 December 2019 and is subject to preferential tax rate of 15% for three years commencing from 1 January 2019, on the condition that the annual written approval from the relevant government authorities is obtained.

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

|   | 2019<br>RMB | 2018<br>RMB  |
|---|-------------|--------------|
| Profit/(loss) before income tax                     | 16,745,476  | (12,338,285) |
| Tax calculated at the PRC EIT rate of 25%           | 4,186,369   | (3,084,571)  |
| Effect of non-taxable and non-deductible items, net | (1,094,618) | 3,132,600    |
| Effect of tax losses not recognised                 | 1,013,318   | 294,998      |
| Deductible temporary difference not recognised      | (228,135)   | (509,094)    |
| Utilisation of tax losses previously not recognised | (72,349)    | (3,002,729)  |
| Over-provision in prior years                       | (183,642)   | -            |
| Income tax expense/(credit)                         | 3,620,943   | (3,168,796)  |

## 14.EARNINGS/(LOSS) PER SHARE

he calculation of the basic and diluted earnings/(loss) per share attributable to the ordinary equity holders of the Company is based on the following data:

| Earnings/(loss)   | 2019<br>RMB | 2018<br>RMB |
|---|-------------|-------------|
| Earnings/(loss) for the purposes of basic earnings/(loss) per share | 13,124,533  | (9,169,489) |
| Effect of dilutive potential ordinary shares                        |             |             |
| - call options  | (7,101,325) | N/A         |
| Earnings for the purpose of diluted earnings/(loss) per share       | 6,023,208   | (9,169,489) |

| Number of shares  | 2019          | 2018          |
|---|---------------|---------------|
| Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share   | 1,159,682,763 | 1,159,682,763 |
| Effect of dilutive potential ordinary shares  |               |               |
| - call options  | 36,929,825    | N/A           |
| Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share | 1,196,612,588 | 1,159,682,763 |

No adjustment has been made to the basic loss per share for year ended 31 December 2018 in respect of a dilution as the impact of the call options outstanding had an anti-dilutive effect on the basic loss per share presented.

## 15.DIVIDEND

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

## 16.PROPERTY, PLANT AND EQUIPMENT

|   | Leasehold<br>improvements<br><b>RMB</b> | Electronic<br>and office<br>equipment<br><b>RMB</b> | Motor<br>vehicle<br><b>RMB</b> | Buildings<br><b>RMB</b> | Total<br><b>RMB</b> |
|---|---|---|--------------------------------|-------------------------|---------------------|
| <b>Cost</b>                                 |   |   |                                |                         |                     |
| At 1 January 2018                           | 4,268,211                               | 9,759,559   | 1,229,060                      | -                       | 15,256,830          |
| Additions                                   | -                                       | 417,065   | -                              | -                       | 417,065             |
| At 31 December 2018 as originally presented | 4,268,211                               | 10,176,624  | 1,229,060                      | -                       | 15,673,895          |
| Initial application of HKFRS 16             |   | -   | -                              | 8,746,791               | 8,746,791           |
| Restated balance as at 1 January 2019       | 4,268,211                               | 10,176,624  | 1,229,060                      | 8,746,791               | 24,420,686          |
| Additions                                   | 32,427                                  | 2,973,728   | -                              | 2,185,944               | 5,192,099           |
| Disposals                                   | -                                       | (91,202)  | -                              | -                       | (91,202)            |
| At 31 December 2019                         | 4,300,638                               | 13,059,150  | 1,229,060                      | 10,932,735              | 29,521,583          |
| <b>Accumulated depreciation</b>             |   |   |                                |                         |                     |
| At 1 January 2018                           | 1,919,859                               | 7,231,566   | 730,062                        | -                       | 9,881,487           |
| Charge for the year                         | 861,832                                 | 1,310,627   | 292,025                        | -                       | 2,464,484           |
| At 31 December 2018                         | 2,781,691                               | 8,542,193   | 1,022,087                      | -                       | 12,345,971          |
| Charge for the year                         | 841,931                                 | 637,939   | 145,520                        | 5,996,447               | 7,621,837           |
| Disposals                                   | -                                       | (88,211)  | -                              | -                       | (88,211)            |
| At 31 December 2019                         | 3,623,622                               | 9,091,921   | 1,167,607                      | 5,996,447               | 19,879,597          |
| <b>Net book value</b>                       |   |   |                                |                         |                     |
| At 31 December 2019                         | 677,016                                 | 3,967,229   | 61,453                         | 4,936,288               | 9,641,986           |
| At 31 December 2018                         | 1,486,520                               | 1,634,431   | 206,973                        | -                       | 3,327,924           |

## 17.INTANGIBLE ASSETS

|                                 | Licensing<br>arrangement<br>RMB | Insurance<br>license<br>RMB | Computer<br>software<br>RMB | Total<br>RMB |
|---------------------------------|---------------------------------|-----------------------------|-----------------------------|--------------|
| <b>Cost</b>                     |                                 |                             |                             |              |
| At 1 January 2018               | 55,760,000                      | 27,000,000                  | 3,889,031                   | 86,649,031   |
| Additions                       | -                               | -                           | 660,739                     | 660,739      |
| At 31 December 2018             | 55,760,000                      | 27,000,000                  | 4,549,770                   | 87,309,770   |
| Additions                       | -                               | -                           | 1,798,933                   | 1,798,933    |
| At 31 December 2019             | 55,760,000                      | 27,000,000                  | 6,348,703                   | 89,108,703   |
| <b>Accumulated amortisation</b> |                                 |                             |                             |              |
| At 1 January 2018               | 8,518,890                       | -                           | 2,382,645                   | 10,901,535   |
| Amortisation expense            | 1,858,667                       | 1,080,000                   | 994,447                     | 3,933,114    |
| At 31 December 2018             | 10,377,557                      | 1,080,000                   | 3,377,092                   | 14,834,649   |
| Amortisation expense            | 1,858,666                       | 1,080,000                   | 1,120,427                   | 4,059,093    |
| At 31 December 2019             | 12,236,223                      | 2,160,000                   | 4,497,519                   | 18,893,742   |
| <b>Carrying amounts</b>         |                                 |                             |                             |              |
| At 31 December 2019             | 43,523,777                      | 24,840,000                  | 1,851,184                   | 70,214,961   |
| At 31 December 2018             | 45,382,443                      | 25,920,000                  | 1,172,678                   | 72,475,121   |

### Notes:

(a) Amortisation expenses have been included in:

|  | 2019<br>RMB | 2018<br>RMB |
|--|-------------|-------------|
| Consolidated statement of profit or loss and other comprehensive income: |             |             |
| - Administration expenses  | 4,059,093   | 3,933,114   |

(b) In accordance with a licensing agreement entered into between the Group and Shanghai Handpay Information & Technology Co., Ltd ("Handpay") in 2013 and the relevant supplementary agreements entered into in 2015 (together the "Handpay Service Agreements"), the Group acquired all rights, title and interest to the operating results of 99wuxian.com mobile marketplace. The licensing period is 30 years and RMB55,760,000 was paid by the Group to Handpay in 2013 in accordance with the Handpay Service Agreements. As at 31 December 2019, the licensing agreement has a remaining amortisation period of 23 years.

99wuxian.com mobile marketplace conducts its business mainly in business to business to consumer platforms by linking business partners ("Business Partners") and merchants ("Merchants"), which forms the underlying platforms of all principal business of the Group. Business Partners include large scale companies from the banking, finance, insurance and telecommunication sectors with strong customer bases and merchant resources. Merchants include telecommunication companies, online game providers and travel agents which can provide goods or service to customers through 99wuxian.com mobile marketplace.

- (C) In 2017, the Group entered into an equity transfer agreement and a series of supplementary agreements (together the “Beijing Dingli Agreements”) with the shareholders of Beijing Dingli Insurance Brokers Limited (“Beijing Dingli”) (“Dingli Vendors”) to acquire 95% equity interests of Beijing at a consideration of RMB27,000,000.

Beijing Dingli is principally engaged in provision of agency services on insurance products in the PRC. The directors have assessed and considered the major asset as obtained from the acquisition of Beijing Dingli was an insurance brokerage license (the “Insurance License”), which would enhance the diversity and flexibility of insurance services and products offered on 99wuxian.com mobile marketplace.

In accordance with the Beijing Dingli Agreements, the operations, assets (excluding the Insurance License and a restricted bank balance (note 22(b))) and liabilities of Beijing Dingli existed on the acquisition completion date are beneficially owned by Dingli Vendors after the acquisition completion date whilst Dingli Vendors will not be entitled to any profit or loss of Beijing Dingli after the acquisition completion date irrespective of their holding of 5% equity interests in Beijing Dingli.

In December 2019, the Group has entered into a supplementary agreement with Dingli Vendor to acquire the remaining 5% equity interests in Beijing Dingli at a consideration of RMB2,500,000. Upon completion of the acquisition, Beijing Dingli became an indirect wholly-owned subsidiary of the Company.

As at 31 December 2019, the Insurance License has a remaining amortisation period of 23 years.

## 18.GOODWILL

|                                 | 2019<br>RMB | 2018<br>RMB |
|---------------------------------|-------------|-------------|
| As at 1 January and 31 December | 3,440,400   | 3,440,400   |

For the purpose of impairment testing, goodwill is allocated to the CGU in relation to the Group’s provision of services via online marketplace in the PRC.

The recoverable amount of the CGU has been determined from value-in-use calculation based on cash flow projections from formally approved budgets covering a five-year period. The pre-tax discount rate applied to the cash flow projections is 21% (2018: 25%). Cash flows beyond the five-year period are extrapolated using an estimated average growth rate of 5% (2018: 10%), which does not exceed the long-term growth rate for the mobile payment industry in the PRC.

The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU. Average annual growth rate over the five-year forecast period is based on past performance and management’s expectations of market development.

## 19.LOAN TO A DIRECTOR

Loan to a director of the Company disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap.622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows:

|                                 | 31 December<br>2019 | Maximum amount<br>outstanding during<br>the year | 31 December<br>2018 | Maximum amount<br>outstanding during<br>the year | 1 January 2018 |
|---------------------------------|---------------------|--|---------------------|--|----------------|
| Name of the director            | RMB                 | RMB  | RMB                 | RMB  | RMB            |
| Ms. Amalisa Zhang (“Ms. Zhang”) |                     |  |                     |  |                |
| - Loan from the Group (note)    | 40,000,000          | 40,000,000                                       | 40,000,000          | 40,000,000                                       | 40,000,000     |

Note:

The loan receivable of RMB40,000,000 due from Ms. Zhang to the Company is repayable on 22 December 2020, secured by equity interests of the Company held by Grand Ease Holdings Limited, and interest bearing at an annual interest of either 3%, or a mark-up annual interest that equals to a 50% margin to the prevailing RMB bank deposit rate quoted by Hong Kong Branch of China Merchants Bank, whichever is higher.

## 20. INVENTORIES

|                       | 2019<br>RMB | 2018<br>RMB |
|-----------------------|-------------|-------------|
| Marketing merchandise | 325,309     | 1,099,015   |

## 21. TRADE AND OTHER RECEIVABLES

|                               | Notes | 2019<br>RMB | 2018<br>RMB |
|-------------------------------|-------|-------------|-------------|
| Trade receivables             | (a)   | 182,733,168 | 179,968,993 |
| Prepayment to suppliers       |       | 130,272,325 | 105,134,411 |
| Other prepayments             |       | 6,179,685   | 11,260,589  |
| Deposits                      |       | 2,063,967   | 3,143,301   |
| Other receivables             |       | 5,382,480   | 2,022,458   |
| Other receivable from Handpay | (b)   | 184,071,815 | 146,913,610 |
|                               |       | 510,703,440 | 448,443,362 |

Notes:

(a) Trade receivables arose from m-Commerce transactions and mobile marketing business.

During the year, the Group discounted part of its trade receivables with full recourse to financial institutions. In the event of default by the debtors, the Group is obliged to pay the financial institutions the amount in default. Interest is charged ranging from 17% to 22.5% (2018: 16.5% to 18%) on the proceeds received from the financial institutions until the date the debtors pay. The Group is therefore exposed to the risks of credit losses and late payment in respect of the discounted debts.

As the Group retains substantially significant risks and rewards relating to these trade receivables, it continues to recognise the full carrying amount of these trade receivables, and includes the proceeds received from the discounting transactions as other loans (note 25(b)). At 31 December 2019, trade receivables of RMB36,684,433 (31 December 2018: RMB4,839,620) have been legally transferred to the financial institutions. The carrying amount of the transferred assets and their associated liabilities approximates their fair values as at 31 December 2019 and 2018.

The Group did not have the authority to determine the disposition of the trade receivables under discounting transactions because these trade receivables have been transferred to the financial institutions legally.

At 31 December 2018, trade receivables of the Group of RMB14,576,483 were pledged against bank loans of the Group (note 25(a)).

(b) Other receivable due from Handpay is mainly derived from the operation of 99wuxian.com mobile marketplace. In accordance with the Handpay Service Agreements, during the transition period, Handpay would continue to perform all third party contracts entered into with respect to the 99wuxian.com mobile marketplace until renewal of existing contracts. Handpay also collects revenue and pay expenses on behalf of the Group. The amount is unsecured, interest-free and repayable on demand.

The Group and the Company recognised impairment loss based on the accounting policy stated in note 4(f)(ii).

Trade receivables are due within 0-45 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade debtors are set out in note 36(a).

## 22. CASH AND BANK BALANCES

|   | Notes | 2019<br>RMB  | 2018<br>RMB  |
|---|-------|--------------|--------------|
| Cash and bank balances  |       | 108,125,080  | 105,585,682  |
| Less:   |       |              |              |
| Deposit pledged against bank loans  | (a)   | (10,000,000) | (43,600,000) |
| Deposit restricted for insurance brokerage work                                       | (b)   | (5,000,000)  | (5,000,000)  |
| Cash and cash equivalents for the purpose of the consolidated statement of cash flows |       | 93,125,080   | 56,985,682   |

Notes:

- (a) At 31 December 2019, bank deposit with interest rate of 2% (31 December 2018: 2%) per annum were pledged against bank loan due to be settled within twelve months after the reporting period (31 December 2018: within twelve months after the reporting period) (note 25(a)), and had a maturity within twelve months after the reporting date (31 December 2018: within twelve months after the reporting date).
- (b) In accordance with relevant provision of Insurance Law of the PRC, Beijing Dingli has placed an amount equal to 10% of its paid-up capital as restricted deposits. On the condition that approval is obtained from China Insurance Regulatory Commission, the deposits can be withdrawn by the Group.

## 23. TRADE AND OTHER PAYABLES

|                             | Notes | 2019<br>RMB | 2018<br>RMB |
|-----------------------------|-------|-------------|-------------|
| Trade payables              |       | 52,346,081  | 32,846,377  |
| Accruals and other payables | (a)   | 74,377,406  | 63,673,826  |
|                             |       | 126,723,487 | 96,520,203  |

Notes:

- (a) The Group is in progress to finalise certain tax treatment in relation to Value-added Tax ("VAT") filing with relevant tax authority in the PRC. As at 31 December 2019, in the opinion of the management, there is possibility that VAT of RMB62,524,309 (31 December 2018: RMB52,299,315) may be reversed.

## 24. AMOUNTS DUE TO A RELATED PARTY/A DIRECTOR

The amounts due to a director represent an amount due to Ms. Zhang of which RMB20,000,000 and RMB20,000,000, advanced to the Group on 5 and 7 November 2019 respectively, are unsecured, interest-free and repayable on demand. With effect from 1 January 2020, the interest rate for the aforementioned advances to the Group is revised to 3% per annum. The remaining balances are unsecured, interest-free and repayable on demand.

The amount due to a related party represents an amount due to Investorlink Corporate Limited ("Investorlink Corporate") in which Mr. Ross Benson, director and key management personnel of the Company, is a beneficial owner.

## 25.BANK AND OTHER LOANS

|  | Notes | 2019<br>RMB | 2018<br>RMB |
|--|-------|-------------|-------------|
| Bank loans – secured                             | (a)   | 19,500,000  | 82,030,000  |
| Other loans - secured                            | (b)   | 52,000,000  | 25,000,000  |
| Other loan – unsecured                           | (c)   | 21,200,000  | -           |
| Debt elements of equity-linked loans – unsecured | (d)   | -           | 15,086,552  |
|  |       | 82,700,000  | 122,116,552 |

The Group's bank and other loans are repayable as follows:

|                              | 2019<br>RMB | 2018<br>RMB |
|------------------------------|-------------|-------------|
| Within one year or on demand | 82,700,000  | 122,116,552 |

The carrying amounts of the Group's bank and other loans are denominated in the following currencies:

|                           | 2019<br>RMB | 2018<br>RMB |
|---------------------------|-------------|-------------|
| RMB                       | 82,700,000  | 117,121,623 |
| Australian Dollar ("A\$") | -           | 4,994,929   |
|                           | 82,700,000  | 122,116,552 |

Notes:

- (a) As at 31 December 2019, the effective interest rates of the Group's secured bank loan was at 4.35% (31 December 2018: 4.35% to 6.25%) per annum.

As at 31 December 2019, bank loan of RMB9,500,000 (31 December 2018: RMB41,350,000) was secured by a bank deposit of the Group of RMB10,000,000 (31 December 2018: RMB43,600,000) (note 22(a)).

As at 31 December 2018, bank loans of RMB40,680,000 were secured by trade receivables of RMB14,576,483 (note 21(a)) and guaranteed by Ms. Zhang.

- (b) As at 31 December 2019, the effective interest rates of the Group's secured other loans were ranging from 8% to 22.5% per annum (2018: 16.5% to 18%).

As at 31 December 2019, other loans of RMB37,000,000 (2018: RMB25,000,000) represents the amounts of financing obtained from financial institutions in factoring transactions on the Group's trade receivables with full recourse (note 21(a)), of which RMB7,000,000 was secured by personal guarantee by director of the Company, Ms. Zhang.

As at 31 December 2019, other loan of RMB15,000,000 (2018: Nil) was secured by equity interests of a subsidiary, personal guarantee by directors of the Company, Ms. Zhang and Mr. Wen Tao, and corporate guarantee of certain subsidiaries of the Group.

- (c) As at 31 December 2019, the effective interest rates of the unsecured other loan were ranging from 12.0% to 15.0% per annum.



#### **(d) Equity-linked Loans I**

In November 2017, the Group obtained three equity-linked loans with principal amounts of A\$950,000 (equivalent to RMB4,974,105), RMB6,250,000 and RMB5,000,000 (collectively “Equity-linked Loans I”) respectively for general working capital purpose. Equity-linked Loans I carry a coupon rate of 10% per annum, which are paid quarterly on 17 February 2018, 17 May 2018, 17 August 2018 and 17 November 2018 (“Maturity Date I”). The lenders of Equity-linked Loans I are entitled to unlisted call options (“Call Options I”) which would provide the lenders the right to acquire a maximum of total 31,429,825 CDIs of the Company at a fixed price of A\$0.1 per option at any time prior to 17 November 2020.

On 17 November 2018, the Company redeemed part of the Equity-linked Loans I at a price equal to the sum of principal amount of RMB4,056,026 upon its maturity. The terms and conditions of the principal amount of RMB12,168,079 (the “Modified Equity-linked Loans I”) were amended and modified (the “Modification”). The Maturity Date I of Modified Equity-linked Loans I is extended by four months, from 17 November 2018 to 17 March 2019. The coupon rate is adjusted from 10% to 13% per annum. The Call Options I are extended by six months and convertible at any time prior to 17 May 2021. Except for the above, all other terms and conditions of the Modified Equity-linked Loans I remain unchanged from the original terms.

#### **Equity-linked Loan II**

In January 2018, the Group obtained an equity-linked loan with principal amount of A\$250,000 (equivalent to RMB1,271,050) (“Equity-linked Loan II”) for general working capital purpose. Equity-linked Loan II carries a coupon rate of 10% per annum, which is paid quarterly on 22 April 2018, 22 July 2018, 22 October 2018 and 22 January 2019 (“Maturity Date II”). The lender of Equity-linked Loan II is entitled to unlisted call options (“Call Options II”) which would provide the lender the right to acquire a maximum of total 2,500,000 CDIs of the Company at a fixed price of A\$0.1 per option at any time prior to 22 January 2021.

#### **Equity-linked Loan III**

In February 2018, the Group obtained an equity-linked loan with principal amount of RMB1,500,000 (“Equity-linked Loan III”) (together with the Equity-linked Loans I and Equity-linked Loan II referred as the “Equity-linked Loans”) for general working capital purpose. Equity-linked Loan III carries a coupon rate of 10% per annum, which is paid quarterly on 20 May 2018, 20 August 2018, 20 November 2018 and 20 February 2019 (together with the Maturity Date I and Maturity Date II referred as the “Maturity Dates”). The lender of Equity-linked Loan III is entitled to unlisted call options (together with the Call Options I and Call Options II referred as the “Call Options”) which would provide the lender the right to acquire a maximum of total 3,000,000 CDIs of the Company at a fixed price of A\$0.1 per option at any time prior to 20 February 2021.

In the event Call Options are exercised by the lenders prior to Maturity Dates, the proceeds from Call Options exercised will be repaid by the Group to the lenders as a loan reduction of the principal within 30 days of receipt of the proceeds of Call Options exercised from the lenders. During the period, no Call Options have been exercised and converted into CDI of the Company by lenders.

The Group determined that the feature of Call Options will not result in settlement by the exchange of a fixed amount of cash for a fixed number of the Company's shares. Each of the Equity-linked Loans is separately recognised as derivative financial liabilities consisting of Call Options, and a liability component consisting of a straight debt element. The Call Options are separated into two portions where options with a term same as the liability components (“Initial Options”); and standalone options with a term of two years subject to the condition if the lenders forfeit the liability components by exercising Initial Options (“Subsequent Options”).

In the opinion of the management, the total transaction prices of Equity-linked Loans I, Equity-linked Loan II and Equity-linked Loan III of RMB16,224,105, RMB1,271,050 and RMB1,500,000 respectively were not the best evidence of their aggregated fair values as the total fair values of Equity-linked Loans I, Equity-linked Loan II and Equity-linked Loan III at initial recognition determined by a firm of independent professional valuer, based on Binominal model that does not only use data from observable markets, were RMB25,405,571, RMB1,827,887 and RMB1,954,025 respectively.

The total loss on initial recognition of Call Options and debt elements determined by the initial differences between fair values and transaction price are deferred and allocated to the carrying amounts of Call Options and debt elements respectively. After initial recognition, the deferred initial differences are recognised as gains or losses only to the extent that they arise from a change in a factor (including time) that market participants would take into account when pricing the Equity-linked Loans. As at 31 December 2019, the unamortised deferred initial differences amounted to RMB534,988 (31 December 2018: RMB1,081,843) were included in Call Options.

The Modification of Equity-linked Loans I is accounted for as an extinguishment of the original financial liabilities of the Equity-linked Loans I as the discounted present value of the cash flow of the Modified Equity-linked Loans I is more than 10% difference from the discounted present value of the cash flow of the outstanding Equity-linked Loans I prior to the Modification. The difference between the carrying amounts of the outstanding Equity-linked Loans I prior to the Modification and the amount recognised as new financial liabilities, being the fair values of the Modified Equity-linked Loans I, has been recognised in other gains or losses during the year ended 31 December 2018. The total fair values of Modified Equity-linked Loans I at the date of the Modification determined by a firm of independent professional valuer, based on Binominal model that does not only use data from observable markets, were RMB14,994,150.

During the year ended 31 December 2019, the Group has redeemed the entire outstanding balances of Modified Equity-linked Loans I, Equity-linked Loan II and Equity-linked Loan III at a price equal to the sum of principal amounts upon their maturity. The derivative financial liabilities as at 31 December 2019 of RMB1,723,462 represent the fair values of Subsequent Options.

The carrying values and movements of debt elements and derivative financial liabilities which are the Call Options of Equity-linked Loans are as follows:

|   | Debt<br>elements<br>RMB | Derivative financial<br>liabilities<br>RMB | Total<br>RMB |
|---|-------------------------|--|--------------|
| <b>Carrying amount as at 1 January 2018</b>                                       | 10,621,304              | 6,842,647                                  | 17,463,951   |
| Issuance of equity-linked loans   | 2,813,254               | 968,658                                    | 3,781,912    |
| Deferred initial differences upon issuance  | (748,153)               | (262,709)                                  | (1,010,862)  |
| Redemption of equity-linked loans   | (4,056,026)             | -  | (4,056,026)  |
| Extinguishment of equity-linked loans   | (12,168,079)            | (2,195,357)                                | (14,363,436) |
| Recognition of modified equity-linked loans                                       | 12,103,216              | 2,890,934                                  | 14,994,150   |
| Change in fair value of derivative financial liabilities (note 9)                 | -                       | (1,321,332)                                | (1,321,332)  |
| Amortisation of deferred initial differences on derivatives financial liabilities | -                       | 2,350,913                                  | 2,350,913    |
| Interest expense  | 8,319,354               | -  | 8,319,354    |
| Interest paid   | (1,798,318)             | -  | (1,798,318)  |
| <b>Carrying amount as at 31 December 2018</b>                                     | 15,086,552              | 9,273,754                                  | 24,360,306   |
| Redemption of equity-linked loans   | (14,939,129)            | (5,971,171)                                | (20,910,300) |
| Change in fair value of derivative financial liabilities (note 9)                 | -                       | (2,125,975)                                | (2,125,975)  |
| Amortisation of deferred initial differences on derivatives financial liabilities | -                       | 546,855                                    | 546,855      |
| Interest expense  | 448,966                 | -  | 448,966      |
| Interest paid   | (596,389)               | -  | (596,389)    |
| <b>Carrying amount as at 31 December 2019</b>                                     | -                       | 1,723,463                                  | 1,723,463    |
| <b>Carrying amount as at 31 December 2018</b>                                     | 15,086,552              | 9,273,754                                  | 24,360,306   |
| Less: Current portion   | (15,086,552)            | (5,959,304)                                | (21,045,856) |
| Non-current portion   | -                       | 3,314,450                                  | 3,314,450    |
| <b>Carrying amount as at 31 December 2019</b>                                     | -                       | 1,723,463                                  | 1,723,463    |
| Less: Current portion   | -                       | 1,723,463                                  | 1,723,463    |
| Non-current portion   | -                       | -  | -            |

The change in the fair value of the derivative financial liabilities during the year ended 31 December 2019 results in a fair value gain of RMB2,125,975 (2018: RMB1,321,332) (note 9). For more detailed information in relation to the fair value measurement of derivative financial liabilities, please refer to note 36.

Interest expenses are calculated using the effective interest method by applying the effective interest rates ranging from 12% to 47% (2018: 12% to 57%) to the adjusted liability component.

## 26.DEFERRED TAXATION

The component of deferred tax assets recognised in the consolidated statement of financial position and the movements during the years are as follows:

|   | <b>Tax losses<br/>RMB</b> |
|---|---------------------------|
| As at 1 January 2018                    | 12,575,701                |
| Credited to profit or loss for the year | 4,547,640                 |
| As at 31 December 2018                  | 17,123,341                |
| Charged to profit or loss for the year  | (3,147,582)               |
| As at 31 December 2019                  | 13,975,759                |

Deferred tax assets are recognised for tax losses carried forwards to the extent that utilisation of the related tax losses through the future taxable profits is probable. As at 31 December 2019, the Group has unrecognised tax losses of RMB6,805,951 (2018: RMB2,752,679). The tax losses can be utilised for offsetting future taxable profits of the Group, and will be subject to expiry within next five financial years.

The component of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the years are as follows:

|   | <b>Fair value adjustment of intangible assets<br/>RMB</b> |
|---|---|
| As at 1 January 2018                    | 7,794,783   |
| Credited to profit or loss for the year | (306,680)   |
| As at 31 December 2018                  | 7,488,103   |
| Credited to profit or loss for the year | (306,680)   |
| As at 31 December 2019                  | 7,181,423   |

Under the EIT Law of the PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2019, no deferred tax liability has been recorded on temporary differences of RMB7,834,349 (2018: RMB4,085,499) relating to the undistributed earnings of PRC subsidiaries because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that these earnings will not be distributed in the foreseeable future.

## 27.SHARE CAPITAL

|  | <b>Number of<br/>ordinary shares</b> | <b>RMB</b>  |
|--|--------------------------------------|-------------|
| Issued and fully paid up:                                |                                      |             |
| At 1 January 2018, 31 December 2018 and 31 December 2019 | 1,159,682,763                        | 313,675,893 |

All issued shares have no par value and rank pari passu in all respects including all rights as to dividends, voting and return of capital.

## 28.RESERVES

### The Group

#### (a) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the PRC subsidiaries, it is required to appropriate 10% of the annual net profits of the PRC subsidiaries, after offsetting any prior years' losses as determined under the relevant PRC accounting standards, to their respective statutory reserves before distributing any net profit. When the balances of the statutory reserves reach 50% of their respective registered capital, any further appropriation is at the discretion of shareholders. Subject to certain restrictions set out in the relevant laws and regulations in the PRC, part of the statutory reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

#### (b) Other reserve

Other reserve represents the gain or loss arising from changes in ownership in interests of a subsidiary that did not result in change in control.

### The Company

|                     | Retained earnings<br>RMB |
|---------------------|--------------------------|
| At 1 January 2018   | 58,924,005               |
| Loss for the year   | (12,557,378)             |
| At 31 December 2018 | 46,366,627               |
| Profit for the year | 2,164,141                |
| At 31 December 2019 | 48,530,768               |

## 29.LEASES

HKFRS 16 was adopted on 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see note 2(a). The accounting policies applied subsequent to the date of initial application, 1 January 2019, as disclosed in note 4(e)A.

### **Nature of leasing activities (in the capacity as lessee)**

The Group leases a number of buildings in the jurisdictions from which it operates. In those jurisdictions the periodic rent of property leases is fixed over the lease term. As at 31 December 2019, the Group had 8 lease contracts with the fixed monthly rent ranging from RMB3,130 to RMB411,352.

### **Right-of-use assets**

The net book value of the underlying assets of right-of-use assets is as follows:

|  | 31 December 2019<br>RMB | 1 January 2019<br>RMB |
|--|-------------------------|-----------------------|
| Buildings leased for own use,<br>carried at depreciated cost | 4,936,288               | 8,746,791             |

### Lease liabilities

Future lease payments are due as follows:

|  | Minimum lease payments<br>31 December 2019<br>RMB | Interest<br>31 December 2019<br>RMB | IPresent value<br>31 December 2019<br>RMB |
|--|---|-------------------------------------|---|
| Not later than one year                            | 4,394,447   | 312,284                             | 4,082,163                                 |
| Later than one year and not later than two years   | 772,290   | 88,978                              | 683,312                                   |
| Later than two years and not later than five years | 335,171   | 34,868                              | 300,303                                   |
|  | 5,501,908   | 436,130                             | 5,065,778                                 |

|  | Minimum lease payments<br>1 January 2019<br>RMB | Interest<br>1 January 2019<br>RMB | Present value<br>1 January 2019<br>RMB |
|--|---|-----------------------------------|--|
| Not later than one year                          | 5,918,238                                       | 684,403                           | 5,233,835                              |
| Later than one year and not later than two years | 3,528,289                                       | 156,204                           | 3,372,085                              |
|  | 9,446,527                                       | 840,607                           | 8,605,920                              |

The present value of future lease payments are analysed as:

|                         | 31 December 2019<br>RMB | 1 January 2019<br>RMB |
|-------------------------|-------------------------|-----------------------|
| Current liabilities     | 4,082,163               | 5,233,835             |
| Non-current liabilities | 983,615                 | 3,372,085             |
|                         | 5,065,778               | 8,605,920             |

|  | 2019<br>RMB |
|--|-------------|
| Short term lease expense                                 | 282,821     |
| Aggregate undiscounted commitments for short term leases | 79,278      |

### Operating leases under HKAS 17 as lessee

As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

|   | 2018<br>RMB |
|---|-------------|
| Not later than one year                           | 5,809,190   |
| Later than one year and not later than five years | 3,775,738   |
|   | 9,584,928   |

Operating lease payments represent rentals payable by the Group for its offices. Leases are negotiated for terms of one to five years at fixed rental.

### 30. CAPITAL COMMITMENT

There is no material capital commitment for the Group at the end of reporting year (2018: Nil).

### 31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

|                                  | Notes | 2019<br>RMB | 2018<br>RMB |
|----------------------------------|-------|-------------|-------------|
| <b>ASSETS AND LIABILITIES</b>    |       |             |             |
| <b>NON-CURRENT ASSETS</b>        |       |             |             |
| Intangible asset                 |       | 43,523,777  | 45,382,443  |
| Interests in subsidiaries        | 32    | 126,338,535 | 126,338,535 |
| Goodwill                         |       | 3,440,400   | 3,440,400   |
| Total non-current assets         |       | 173,302,712 | 175,161,378 |
| <b>CURRENT ASSETS</b>            |       |             |             |
| Other receivables                |       | 75,300,025  | 175,923,175 |
| Amounts due from subsidiaries    |       | 23,406,760  | 32,906,760  |
| Cash and cash equivalents        |       | 1,379,058   | 139,421     |
| Total current assets             |       | 200,085,843 | 208,969,356 |
| <b>NON-CURRENT LIABILITIES</b>   |       |             |             |
| Derivative financial instruments |       | -           | 3,314,450   |
| Deferred tax liabilities         |       | 7,181,423   | 7,488,103   |
| Total non-current liabilities    |       | 7,181,423   | 10,802,553  |
| <b>CURRENT LIABILITIES</b>       |       |             |             |
| Other payables                   |       | 1,339,500   | 1,411,175   |
| Amount due to shareholder        |       | 17,256      | -           |
| Derivative financial instruments |       | 1,723,463   | 5,959,304   |
| Other loans                      |       | -           | 4,994,929   |
| Current tax liabilities          |       | 920,252     | 920,253     |
| Total current liabilities        |       | 4,000,471   | 13,285,661  |
| <b>NET CURRENT ASSETS</b>        |       | 196,085,372 | 195,683,695 |
| <b>NET ASSETS</b>                |       | 362,206,661 | 360,042,520 |
| <b>EQUITY</b>                    |       |             |             |
| Share capital                    | 27    | 313,675,893 | 313,675,893 |
| Retained earnings                | 28    | 48,530,768  | 46,366,627  |
| <b>TOTAL EQUITY</b>              |       | 362,206,661 | 360,042,520 |

Approved by and authorised for issue by the board of directors on 31 March 2020 and are signed on its behalf by:



Mr Ross Benson  
Director



Ms Amalisia Zhang  
Director

## 32.INTERESTS IN SUBSIDIARIES

|                                   | 2019<br>RMB | 2018<br>RMB |
|-----------------------------------|-------------|-------------|
| Unlisted equity interest, at cost | 126,338,535 | 126,338,535 |

Particulars of the principal subsidiaries at 31 December 2019 are as follows:

| Name  | Form of business structure | Place and date of incorporation | Place of operation and principal activity            | Paid up capital/ registered capital | Percentage of ownership interest |
|---|----------------------------|---------------------------------|--|-------------------------------------|----------------------------------|
| <b>Direct</b>   |                            |                                 |  |                                     |                                  |
| Ninety nine Trading (Shanghai) Co., Ltd.<br>耐特耐商贸 (上海) 有限公司 | Limited liability company  | PRC,<br>2 July 2013             | Investment holding in PRC                            | HK\$40,000,000                      | 100%                             |
| Kyonichi Trading Limited<br>京日貿易有限公司                        | Limited liability company  | Hong Kong,<br>27 November 2015  | Investment holding                                   | HKD10,000                           | 100%                             |
| Aide Trading Limited<br>艾德貿易有限公司                            | Limited liability company  | Hong Kong,<br>28 July 2016      | Investment holding                                   | HKD10,000                           | 100%                             |
| <b>Indirect</b>   |                            |                                 |  |                                     |                                  |
| Shanghai Xinshunhui Trading Co., Ltd.<br>上海鑫順匯商貿有限公司        | Limited liability company  | PRC,<br>27 June 2013            | Investment holding in PRC                            | RMB30,100,000                       | 100%                             |
| Shanghai Handpal<br>上海瀚之友信息技術服務有限公司                         | Limited liability company  | PRC,<br>4 July 2013             | Provision of services on a mobile marketplace in PRC | RMB30,000,000                       | 100%                             |
| Shanghai Handqian<br>上海瀚乾信息技術服務有限公司                         | Limited liability company  | PRC,<br>20 April 2015           | Provision of services on a mobile marketplace in PRC | RMB10,000,000                       | 100%                             |
| 上海誠度信息技術有限公司  | Limited liability company  | PRC,<br>12 January 2016         | Provision of services on a mobile marketplace in PRC | Nil                                 | 100%                             |
| 上海邦道信息技術有限公司  | Limited liability company  | PRC,<br>12 January 2016         | Provision of services on a mobile marketplace in PRC | RMB10,000,000                       | 100%                             |
| 上海瀚棟信息技術有限公司<br>("Shanghai Handdong") (Note (i))            | Limited liability company  | PRC,<br>14 September 2016       | Investment holding in PRC                            | RMB10,000,000                       | 100%                             |
| 上海層暢信息技術有限公司  | Limited liability company  | PRC,<br>14 March 2017           | Provision of services on a mobile marketplace in PRC | Nil                                 | 100%                             |
| 上海易河信息技術有限公司  | Limited liability company  | PRC,<br>10 March 2017           | Provision of services on a mobile marketplace in PRC | Nil                                 | 100%                             |
| Beijing Dingli<br>北京鼎立保險經紀有限責任公司                            | Limited liability company  | PRC,<br>13 May 2014             | Provision of services on a mobile marketplace in PRC | RMB50,000,000                       | 100%                             |
| 海南安鴻信息技術有限公司  | Limited liability company  | PRC,<br>19 June 2018            | Provision of services on a mobile marketplace in PRC | Nil                                 | 100%                             |
| 天津豐邁資訊技術有限公司<br>(Note (ii))                                 | Limited liability company  | PRC,<br>12 April 2019           | Provision of services on a mobile marketplace in PRC | Nil                                 | 100%                             |
| 上海志華資訊技術有限公司<br>(Note (ii))                                 | Limited liability company  | PRC,<br>23 April 2019           | Provision of services on a mobile marketplace in PRC | Nil                                 | 100%                             |

Notes:

- (i) In 2017, Mr. Wang Haoqi signed a trust agreement with the Group to hold the 100% equity interest in Shanghai Handdong for and on behalf of the Group and became the registered shareholder of Shanghai Handdong. In the opinion of the independent PRC legal advisor of the Group, the trust agreement is legally enforceable, and complies with the relevant PRC laws and regulations.
- (ii) These companies were newly incorporated during the year ended 31 December 2019

### 33. RELATED PARTY TRANSACTIONS

Transactions with key management personnel/Material interests of directors in transactions, arrangements or contracts

- (a) All members of key management personnel are the directors of the Company. The remuneration paid to them during the year was disclosed in note 12.
- (b) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material related party transactions:

|                        | Type of transaction       | 2019<br>RMB | 2018<br>RMB |
|------------------------|---------------------------|-------------|-------------|
| Investorlink Corporate | Professional services fee | 554,066     | 1,423,898   |
| Ms. Zhang              | Interest income           | 1,200,000   | 1,200,000   |

### 34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

- (a) Cash and cash equivalents comprise

|                          | 2019<br>RMB | 2018<br>RMB |
|--------------------------|-------------|-------------|
| Cash available on demand | 93,125,080  | 56,985,682  |



(b) Reconciliation of liabilities arising from financing activities:

|   | Bank loans<br>(note 25(a))<br>RMB | Other loans<br>(note 25(b)&(c))<br>RMB | Lease<br>liabilities<br>(note 29)<br>RMB | Amounts<br>due to<br>a director<br>RMB | Equity-linked<br>Loans<br>(note 25(d))<br>RMB |
|---|-----------------------------------|--|--|--|---|
| <b>At 1 January 2018</b>  | 96,540,000                        | 47,232,000                             | -  | -                                      | 17,463,951                                    |
| Changes from cash flows:  |                                   |  |  |  |   |
| Proceeds from borrowings  | 121,030,000                       | 51,820,800                             | -  | -                                      | 2,771,050                                     |
| Repayments of borrowings  | (135,540,000)                     | (74,052,800)                           | -  | -                                      | (4,056,026)                                   |
| Advance from a director   | -                                 | -                                      | -  | 13,980,000                             | -   |
| Interest paid   | (5,218,112)                       | (4,796,302)                            | -  | -                                      | (1,798,318)                                   |
| Other changes:  |                                   |  |  |  |   |
| Change in fair value  | -                                 | -                                      | -  | -                                      | (1,321,332)                                   |
| Interest expenses   | 5,218,112                         | 4,796,302                              | -  | -                                      | 8,319,354                                     |
| Extinguishment of equity-linked loans   | -                                 | -                                      | -  | -                                      | (14,363,436)                                  |
| Recognition of modified equity-linked loans                                       | -                                 | -                                      | -  | -                                      | 14,994,150                                    |
| Amortisation of deferred initial differences on derivatives financial liabilities | -                                 | -                                      | -  | -                                      | 2,350,913                                     |
| <b>At 31 December 2018 and 1 January 2019</b>                                     | 82,030,000                        | 25,000,000                             | -  | 13,980,000                             | 24,360,306                                    |
| Initial application of HKFRS 16   | -                                 | -                                      | 8,605,920                                | -                                      | -   |
| <b>Restated balance as at 1 January 2019</b>                                      | 82,030,000                        | 25,000,000                             | 8,605,920                                | 13,980,000                             | 24,360,306                                    |
| Changes from cash flows:  |                                   |  |  |  |   |
| Proceeds from borrowings  | 9,500,000                         | 58,200,000                             | -  | -                                      | -   |
| Repayments of borrowings  | (82,030,000)                      | (10,000,000)                           | -  | -                                      | (14,939,129)                                  |
| Advances from a director  | -                                 | -                                      | -  | 31,700,000                             | -   |
| Lease payments  | -                                 | -                                      | (6,475,708)                              | -                                      | -   |
| Interest paid   | (3,480,585)                       | (8,621,352)                            | -  | -                                      | (596,389)                                     |
| Other changes:  |                                   |  |  |  |   |
| Change in fair value  | -                                 | -                                      | -  | -                                      | (2,125,975)                                   |
| Interest expenses   | 3,480,585                         | 9,234,477                              | 796,571                                  | -                                      | 448,966                                       |
| Additions in leases liabilities   | -                                 | -                                      | 2,138,995                                | -                                      | -   |
| Gain on redemption of equity-linked loans   | -                                 | -                                      | -  | -                                      | (5,971,171)                                   |
| Amortisation of deferred initial differences on derivatives financial liabilities | -                                 | -                                      | -  | -                                      | 546,855                                       |
| Increase in interest payables   | -                                 | (613,125)                              | -  | -                                      | -   |
| <b>At 31 December 2019</b>  | 9,500,000                         | 73,200,000                             | 5,065,778                                | 45,680,000                             | 1,723,463                                     |

(c) Transactions with Handpay under Handpay Service Agreements are set out below. The amount due from Handpay in respect of these transactions is included in other receivables (note 21(b)).

|   | 2019<br>RMB | 2018<br>RMB |
|---|-------------|-------------|
| Operating activities                                  |             |             |
| Sales received by Handpay on behalf of the Group      | 37,567      | 20,565      |
| Operating cost paid by Handpay on behalf of the Group | -           | (56,565)    |
| Ongoing service fee charged by Handpay                | 1,127       | 615         |
|   | 38,694      | (35,385)    |

### 35. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

The capital structure of the Group consists of debts, which includes amounts due to a director, bank and other loans and equity attributable to owners of the Company (including share capital and reserves). The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The Group monitors capital using a gearing ratio, which is total debts divided by the total shareholders' equity. Total shareholders' equity comprises all components of equity attributable to the equity holders. The Group's policy is to maintain the gearing ratio at a reasonable level. The gearing ratios as at the reporting dates were as follows:

|                            | 2019<br>RMB | 2018<br>RMB |
|----------------------------|-------------|-------------|
| Total debts                | 128,380,000 | 136,232,609 |
| Total shareholders' equity | 321,158,278 | 310,533,745 |
| Gearing ratio              | 40%         | 44%         |

### 36. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk.

These risks are limited by the Group's financial management policies and practices described below.

## (a) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group exposed to credit risk from loan and receivables. The Group assesses credit risk based on debtor's past due record, trading history, financial condition or credit rating.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk of financial instruments as 36.0% (2018: 32.8%) of the total trade and other receivables was due from the one largest debtor of the Group.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers and, where appropriate, credit guarantee insurance cover is purchased. Trade receivables are due within 0-45 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

### 31 December 2019

|                               | Expected loss rate<br>(%) | Gross carrying amount<br>RMB | Loss allowance<br>RMB |
|-------------------------------|---------------------------|------------------------------|-----------------------|
| Neither past due nor impaired | 0.1%                      | 171,344,087                  | 171,344               |
| Less than 1 month past due    | 0.5%                      | 2,884,863                    | 14,424                |
| 1 to 3 months past due        | 0.5%                      | 3,908,745                    | 19,544                |
| More than 3 months            | 1%-8%                     | 4,878,864                    | 78,079                |
|                               |                           | 183,016,559                  | 283,391               |

### 31 December 2018

|                               | Expected loss rate<br>(%) | Gross carrying amount<br>RMB | Loss allowance<br>RMB |
|-------------------------------|---------------------------|------------------------------|-----------------------|
| Neither past due nor impaired | 0.1%                      | 144,671,266                  | 144,673               |
| Less than 1 month past due    | 0.5%                      | 3,313,440                    | 16,567                |
| 1 to 3 months past due        | 0.5%                      | 8,190,507                    | 40,953                |
| More than 3 months            | 1%-8%                     | 24,415,604                   | 419,631               |
|                               |                           | 180,590,817                  | 621,824               |

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

|  | 2019<br>RMB | 2018<br>RMB |
|--|-------------|-------------|
| Balance at 1 January                                 | 621,824     | 805,573     |
| Reversal of impairment loss determined under HKFRS 9 | (338,433)   | (183,749)   |
| Balance at 31 December                               | 283,391     | 621,824     |

Decrease in long overdue trade receivables resulted in a decrease in loss allowance of RMB338,433 during year ended 31 December 2019.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## (b) Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents and have available funding through bank and other borrowings to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities of the Group for its non-derivative financial liabilities. The table has been drawn up using undiscounted cash flows of financial liabilities based on the earlier of the contractual date or when the Group is expected to pay. The table includes both interest and principal cash flows.

|                               | Carrying amount | Total contractual<br>undiscounted<br>cash flows | Within<br>one year or<br>on demand | More than<br>1 year but<br>less than<br>2 years | More than<br>2 years<br>but Less<br>than 5 years |
|-------------------------------|-----------------|---|------------------------------------|---|--|
|                               | RMB             | RMB   | RMB                                | RMB   | RMB  |
| <b>At 31 December 2019</b>    |                 |   |                                    |   |  |
| Trade and other payables      | 64,199,178      | 64,199,178                                      | 64,199,178                         | -   | -  |
| Amounts due to a director     | 45,680,000      | 45,680,000                                      | 45,680,000                         | -   | -  |
| Amount due to a related party | 17,256          | 17,256  | 17,256                             | -   | -  |
| Bank and other loans          | 82,700,000      | 89,063,051                                      | 89,063,051                         | -   | -  |
| Lease liabilities             | 5,065,778       | 5,501,908                                       | 4,394,447                          | 772,290   | 335,171  |
|                               | 197,662,212     | 204,461,393                                     | 203,353,932                        | 772,290   | 335,171  |
| <b>At 31 December 2018</b>    |                 |   |                                    |   |  |
| Trade and other payables      | 96,520,203      | 96,520,203                                      | 96,520,203                         | -   | -  |
| Amount due to a related party | 136,057         | 136,057   | 136,057                            | -   | -  |
| Amount due to a director      | 13,980,000      | 13,980,000                                      | 13,980,000                         | -   | -  |
| Bank and other loans          | 122,116,552     | 128,841,468                                     | 128,841,468                        | -   | -  |
|                               | 232,752,812     | 239,477,728                                     | 239,477,728                        | -   | -  |

### (c) Interest rate risk

The Group's cash flow interest rate risk mainly arises from bank balances and loan to a director at floating rates as disclosed in notes 22 and 19 while the Group's fair value interest-rate risk mainly arises from lease liabilities and bank and other loans at fixed rates as disclosed in note 25. The Group's policy is manage its interest rate risk, working within an agreed framework, to ensure there no unduly exposures to significant interest rate movements and rates are approximately fixed when necessary. The directors considered that the Group's interest rate risk is minimal and the Group has not used any financial instruments to hedge potential fluctuations in interest rates.

The interest rates and terms of repayment of the Group's loan to a director, bank and other loans are disclosed in notes 19 and 25 respectively.

### (d) Currency risk

The following table indicates the approximate change in the Group's loss for the year and retained earnings/accumulated losses and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. A positive number in the sensitivity analysis below indicates a decrease in loss and increase in other equity where the RMB weakens against the relevant currency. For a strengthening of the RMB against the relevant currency, there would be an equal and opposite impact on the loss and other equity, and the balances below would be negative.

The carrying amounts of the Group's foreign currency denominated assets and monetary liabilities at the reporting date are as follows respectively:

|                                  | 2019<br>RMB | 2018<br>RMB  |
|----------------------------------|-------------|--------------|
| <b>Denominated in HK\$</b>       |             |              |
| Cash and bank balances           | 435,229     | 360,910      |
| <b>Overall net exposure</b>      | 435,229     | 360,910      |
| <b>Denominated in A\$</b>        |             |              |
| Cash and bank balances           | 39,732      | 124,322      |
| Derivative financial instruments | (1,723,463) | (9,273,754)  |
| Bank and other loans             | -           | (4,994,929)  |
| <b>Overall net exposure</b>      | (1,683,731) | (14,144,361) |

|      | Increase/<br>(decrease) in foreign<br>exchange rates | Effect on profit/loss<br>for the year ended<br>31 December 2019<br>and retained profits | Increase/<br>(decrease) in foreign<br>exchange rates | Effect on profit/loss<br>for the year ended<br>31 December 2018<br>and retained profits |
|------|--|---|--|---|
|      | %  | RMB   | RMB  | RMB   |
| HK\$ | +5%  | 21,761  | +5%  | 18,046  |
|      | -5%  | (21,761)  | -5%  | (18,046)  |
| A\$  | +5%  | (84,187)  | +5%  | (707,218)   |
|      | -5%  | 84,187  | -5%  | 707,218   |

## (e) Fair value measurements recognised in the consolidated statement of financial position

The fair values of trade and other receivables, loan to a director, cash and bank balances, trade and other payables, amounts due to a related party and a director and interest-bearing borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

### Fair value hierarchy

The following tables present financial liabilities measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial liabilities measured at fair value in the consolidated statement of financial position at the reporting date are grouped into the fair value hierarchy as follows:

|   | Level 1<br>RMB | Level 2<br>RMB | Level 3<br>RMB | Total<br>RMB |
|---|----------------|----------------|----------------|--------------|
| <b>As at 31 December 2019</b>                               |                |                |                |              |
| Financial liabilities at FVPL                               |                |                |                |              |
| Derivative financial instruments -<br>unlisted call options | -              | -              | 1,723,463      | 1,723,463    |
| <b>As at 31 December 2018</b>                               |                |                |                |              |
| Financial liabilities at FVPL                               |                |                |                |              |
| Derivative financial instruments -<br>unlisted call options | -              | -              | 9,273,754      | 9,273,754    |

The Group's policy is to recognise transfers between levels of fair value hierarchy at the date of the event or change in circumstances that caused the transfer. There were no significant transfers between levels 1 and 2 and no transfers into or out of level 3 during the years.

The fair value of the derivative financial instruments was calculated using the Binomial model with the major inputs used in the model as follows:

|                | 2019     | 2018        |
|----------------|----------|-------------|
| Stock price    | A\$0.074 | A\$0.14     |
| Volatility     | 41-43%   | 23 - 50%    |
| Risk free rate | 0.93%    | 1.88 -2.01% |

Any changes in the major inputs into model will result in changes in the fair value of the derivative component. Increase in the average expected volatility, stock price and risk free rate would increase the fair value of the unlisted call options.

Assuming all other variables is held constant; an increase in stock price by 10% (2018: 10%) would increase the unlisted call options by a further RMB541,774 (2018: RMB1,912,609), an increase in volatility by 10% (2018: 10%) would increase the unlisted call options by RMB708,849 (2018: RMB948,199), and an addition in risk free rate by 0.2% (2018: 0.2%) would increase the unlisted call options by RMB9,614 (2018: RMB20,526).

### 37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2019 and 2018 may be categorised as follows:

|   | 2019<br>RMB | 2018<br>RMB |
|---|-------------|-------------|
| <b>Financial assets</b>                 |             |             |
| Assets measured at amortised cost:      |             |             |
| Trade and other receivables             | 374,251,430 | 328,905,061 |
| Loan to a director                      | 40,000,000  | 40,000,000  |
| Cash and bank balances                  | 108,125,080 | 105,585,682 |
|   | 522,376,510 | 474,490,743 |
| <b>Financial liabilities</b>            |             |             |
| Liabilities measured at amortised cost: |             |             |
| Trade and other payables                | 64,199,178  | 96,520,203  |
| Amount due to a related party           | 17,256      | 136,057     |
| Amounts due to a director               | 45,680,000  | 13,980,000  |
| Lease liabilities                       | 5,065,778   | -           |
| Bank and other loans                    | 82,700,000  | 122,116,552 |
|   | 197,662,212 | 232,752,812 |
| Liabilities measured at FVPL:           |             |             |
| Derivative financial instruments        | 1,723,463   | 9,273,754   |
|   | 199,385,675 | 242,026,566 |

### 38. EVENT AFTER THE REPORTING DATE

Since January 2020, the PRC and Hong Kong have reported confirmed cases of Novel Coronavirus ("COVID-19") with a rising trend which may affect the usual business environment of the country as a whole. Pending development of such subsequent non-adjusting event, the Group's financial results may be affected, the extent to which could not be estimated as at the date of this report.

# Additional Information

## Issued capital

As at 26 March 2020, the Company had 1,159,682,763 ordinary fully paid shares on issue, of which 904,381,791 shares have been converted to CHESS Depositary Interests (CDI's) and were traded on the ASX. There are no shares/CDIs that are currently under trading restrictions.

There is no on-market buy back currently in place.

## Substantial shareholders

| Description                      | No of shares/CDIs | % of issued capital |
|----------------------------------|-------------------|---------------------|
| GRAND EASE HOLDINGS LIMITED      | 255,300,969       | 23.86%              |
| CAIHUI INVESTMENTS LIMITED       | 146,919,472       | 13.34%              |
| ACE RAY LIMITED                  | 86,158,618        | 7.43%               |
| VTION CAPITAL INVESTMENT LIMITED | 71,733,391        | 7.00%               |
| NATION PRIDE INVESTMENTS LIMITED | 71,732,559        | 6.19%               |
| DECHENG INVESTMENTS LIMITED      | 59,343,154        | 5.79%               |



## Top 20 CDI holders as at 26 March 2020

| Rank                                   | Name  | No of CDIs         | % of Issued Capital |
|--|---|--------------------|---------------------|
| 1.                                     | CAIHUI INVESTMENTS LIMITED  | 146,919,472        | 16.25               |
| 2.                                     | BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS<br>RETAILCLIENT DRP>           | 109,957,908        | 12.16               |
| 3.                                     | ACE RAY LIMITED   | 86,158,618         | 9.53                |
| 4.                                     | VTION CAPITAL INVESTMENT  | 71,733,391         | 7.93                |
| 5.                                     | DECHENG INVESTMENTS LIMITED   | 59,343,154         | 6.56                |
| 6.                                     | WUXIAN NOMINEES PTY LTD   | 50,000,000         | 5.53                |
| 7.                                     | INVESTORLINK GROUP LIMITED  | 33,075,017         | 3.66                |
| 8.                                     | STRADBROKE PLAZA PTY LTD<br><RYAN RETIRMENT FUND A/C>                   | 32,883,220         | 3.64                |
| 9.                                     | RADIANT COSMO INVESTMENTS LTD   | 29,126,087         | 3.22                |
| 10.                                    | INVESTORLEND SERVICES PTY LTD<br><INVESTORLEND PARTNER NO2 A/C>         | 18,200,000         | 2.01                |
| 11.                                    | WASHINGTON H SOUL PATTINSON & COMPANY LIMITED                           | 13,409,091         | 1.48                |
| 12.                                    | JOWJIN PTY LTD <KEERATI A/C>  | 11,988,220         | 1.33                |
| 13.                                    | INVESTORLINK SUPER PTY LIMITED  | 11,232,683         | 1.24                |
| 14.                                    | SOLAR EMPIRE HOLDINGS LIMITED   | 6,490,273          | 0.72                |
| 15.                                    | HISHENK PTY LTD   | 5,225,000          | 0.58                |
| 16.                                    | NETWEALTH INVESTMENTS LIMITED<br><WRAP SERVICES A/C>                    | 5,195,000          | 0.57                |
| 17.                                    | MS KEERATI PLODPRONG  | 5,134,000          | 0.57                |
| 18.                                    | MR TONY RAYMOND GROTH + MRS JENNIFER ANN<br>GROTH <GROTH SUPERFUND A/C> | 4,305,000          | 0.48                |
| 19.                                    | INVESTORLINK SECURITIES   | 3,641,189          | 0.40                |
| 20.                                    | INVESTORLEND PTY LTD  | 3,630,704          | 0.40                |
| <b>Total Top 20 Holders</b>            |   | <b>707,648,027</b> | <b>78.25</b>        |
| <b>Total Remaining Holders Balance</b> |   | <b>196,733,764</b> | <b>21.75</b>        |

## Distribution of Shareholders/CDI holders

There were 2,180 shareholders/CDI holders at 26 March 2020 recorded at Computershare. . Each Shareholder/CDI holder is entitled to one vote for each security held.

| Range            | Total holders | Shares/CDIs | % of issued capital |
|------------------|---------------|-------------|---------------------|
| 1 - 1,000        | 80            | 22,111      | 0.00                |
| 1,001 – 5,000    | 467           | 1,739,685   | 0.19                |
| 5,001-10,000     | 453           | 3,698,969   | 0.41                |
| 10,001 – 100,000 | 864           | 31,794,494  | 3.52                |
| Over 100,000     | 316           | 867,126,532 | 95.88               |
| Totals           | 2,180         | 904,381,791 | 100.00              |

There are 816 CDI holders who hold less than a marketable parcel as at 26 March 2020.

## Voting Rights

The voting rights are that each CDI holder is entitled to 1 vote per CDI at a meeting of members, provided that a CDI Holder undertakes the following steps.

- 1.Instructing CDN as the legal owner to vote the shares underlying in a particular manner. A voting instruction form will be sent to CDI holders with the notice of meeting and this must be completed and returned to the share registry prior to the meeting.
- 2.Informing the Company that they wish to nominate themselves or another person to be appointed as CDN's proxy with respect to their shares underlying the CDIs for the purposes of attending and voting at the general meeting or;
- 3.Converting their CDIs into a holding of these shares and voting these shares at the meeting.

## Use of Cash Consistent with Business Objectives

99 Technology confirms that during the financial year ending 31 December 2019, it has used cash and other assets readily convertible to cash that it held at time of admission, in a way consistent with its business objectives.

## 99 Technology's Place of Incorporation

As 99 Technology is incorporated in Hong Kong and not established in Australia, its corporate activities (apart from the offering of securities in Australia) are not regulated by the Corporations Act of the Commonwealth of Australia or by the Australian Securities and Investments Commission but instead are regulated by the Hong Kong Companies Ordinance and the Financial Services and the Treasury Bureau. 99 Technology is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act 2001 in Australia. The following information is provided as required to ASX on an annual basis to disclose the limitations on acquisition.

## Takeovers

The Hong Kong Code on Takeovers and Mergers (the “Takeovers Code”) regulates takeovers and mergers in Hong Kong and applies to public companies in Hong Kong. The Takeovers Code provides that when a person, or two or more persons acting in concert collectively:

- acquire 30% or more of the voting rights of a company; or
- hold not less than 30% but more than 50% of the voting rights of the company and acquires more than 2% of the voting rights of a company from the lowest percentage holding of that person or persons collectively within a 12 month period, then a general offer must be made to all other shareholders of the company.

## Compulsory Acquisition

Schedule 13 of the Hong Kong Companies Ordinance sets out the right to buy out minority shareholders. If within four months of making an offer to buy shares, a company has acquired 90% in value of the shares, the acquiring company may give notice to the remaining shareholders that it desires to acquire their shares. Provided that notice is given within five months of the original offer, the acquiring company is entitled and bound to acquire those shares on the same terms as the offer.

## Substantial holder notices

Part XV of the Hong Kong Securities and Futures Ordinance requires the disclosure by substantial shareholders, directors, shadow directors and chief executives of a listed corporation (collectively “Corporate Insiders”) of their interests in the securities of a listed corporation when their interests reach the notifiable percentage level. The notifiable percentage level is an interest in shares of an aggregate nominal value of 5% or more of the relevant shares in the listed corporation.

# Corporate Directory

## Registered Office - Hong Kong

Address 27/F., Alexandra House  
18 Chater Road,  
Central, Hong Kong

Phone +852 2803 3688

Fax +852 2803 3608

## Registered Office - Australia

C/-Investorlink Corporate Limited  
Level 26  
56 Pitt Street  
Sydney, New South Wales 2000

+61 9276 2000

+61 9247 9977

## Board of Directors

| Name                 | Position                                    |
|----------------------|---|
| Mr. Ross Benson      | Chairman, Non-Executive Director            |
| Ms. Amalisa Zhang    | Chief Executive Officer, Executive Director |
| Dr. Tao Wen          | Executive Director                          |
| Mr. Haoming Yu       | Non-Executive Director                      |
| Mr. Simon Woodfull   | Non-Executive Director                      |
| Mr. Christopher Ryan | Non-Executive Director                      |

## Company Secretary

Howse Williams Bowers

## ASX Code

NNT

## Australian Legal Advisor

Thomson Geer Lawyers  
Level 28, Waterfront Place  
1 Eagle Street, Brisbane QLD 4000  
P: +61 7 3338 7557

## Share Registry

Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford Melbourne, Victoria 3067

To be changed to Automic Pty Ltd from 4 May 2020

Automic's Address  
Level 5, 126 Phillip Street  
Sydney NSW 2000  
GPO Box 5193  
Sydney NSW 2001

## Auditor

BDO Limited Level 25  
Wing On Centre  
111 Connaught Road  
Central, Hong Kong



Technology

# ANNUAL REPORT 2019

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Hong Kong Company Registration Number: 1903220