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深圳市明華澳漢科技股份有限公司
Shenzhen Mingwah Aohan High Technology Corporation Ltd.*
(a joint stock limited company incorporated in the People's Republic of China)
Stock Code: 8301

2014
Annual Report

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

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This report, for which the directors (the "Directors") of Shenzhen Mingwah Aohan High Technology Corporation Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Li Qi Ming *(Chairman)*
Mr. Loo Chung Keung, Steve *(Vice-chairman)*
Mr. Liu Guo Fei
Mr. Au-Yeung Ka Cheung (resigned on 14 September 2015)
Ms. Hou Qian (appointed on 13 October 2015)

Independent Non-Executive Directors

Mr. Gao Xiang Nong
Mr. Chen Hong Lei
Ms. Huang Jinmin (resigned on 1 September 2015)
Mr. Yu Xiuyang (appointed on 1 September 2015)

Supervisors

Mr. Li Xiang
Ms. Liu Wei Qun
Mr. He Wei Ming

AUDIT COMMITTEE

Mr. Gao Xiang Nong *(Chairman)*
Mr. Chen Hong Lei
Ms. Huang Jinmin (resigned on 1 September 2015)
Mr. Yu Xiuyang (appointed on 1 September 2015)

NOMINATION COMMITTEE

Mr. Gao Xiang Nong *(Chairman)*
Mr. Chen Hong Lei
Ms. Huang Jinmin (resigned on 1 September 2015)
Mr. Yu Xiuyang (appointed on 1 September 2015)

REMUNERATION COMMITTEE

Mr. Gao Xiang Nong *(Chairman)*
Mr. Chen Hong Lei
Ms. Huang Jinmin (resigned on 1 September 2015)
Mr. Yu Xiuyang (appointed on 1 September 2015)

CHIEF EXECUTIVE OFFICER

Mr. Liu Guo Fei (appointed on 28 October 2015)

COMPANY SECRETARY

Mr. Ho Yuk Ming, Hugo (resigned on 1 March 2014)
Miss. Ma Shuk Fong (appointed on 1 March 2014 and resigned on 19 September 2015)
Mr. Tam Siu Po (appointed on 19 September 2015)

COMPLIANCE OFFICER

Mr. Li Qi Ming

AUTHORIZED REPRESENTATIVES

Mr. Li Qi Ming
Mr. Tam Siu Po

AUDITOR

KTC Partners CPA Limited

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 338, 3/F.
No. 202 Building
Shangbu Industrial Zone
North Hua Qiang Road
Fu Tian District
Shenzhen, 518028
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1201, Clifford Centre
778–784 Cheung Sha Wan Road
Lai Chi Kok, Kowloon
Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

China Merchants Bank
Bank of Guangzhou

COMPANY'S WEBSITE

www.mwcard.com

GEM STOCK CODE

8301

Chairman's Statement

For and on behalf of the Board of Directors of the Company (the "Board"), I hereby present the audited annual results of the Company and its subsidiaries (collectively referred to hereinafter as the "Group") for the year ended 31 December 2014.

PERFORMANCE AND REVIEW

For the year ended 31 December 2014, the revenue of the Group amounted to approximately RMB25,708,000 as compared to approximately RMB26,303,000 in the previous year, representing a decrease of approximately 2.26%. The loss for the year attributable to owners of the Company amounted to approximately RMB6,002,000 (2013: approximately RMB50,612,000).

The Group recorded a decrease in revenue in the past two years due to the following reasons:

(i) Intensified Market Competition. Competition in the traditional IC card market has been intensified because of product homogeneity and relatively lower entrance barrier. Many new competitors were attracted into the market and this resulted in the excess capacity and decreased profit margin for most players in the industry.

(ii) Litigation and Tight Liquidity. The unfavorable outcome of the legal proceedings had significantly increased the indebtedness of the Company and lower the Group liquidity. The Group was unable to obtain any credit facilities from banks due to high amount of outstanding indebtedness arising from the legal proceedings. Certain of the Group's customers faced difficulties and the Group was not able to collect money from certain receivables. In addition the Group experienced difficulties in obtaining financing. Chip suppliers in the market were unwilling to extend credit terms to the Group.

BUSINESS PROSPECT AND LOOKING FORWARD

The Group's revenue is derived from the businesses of design, development and sale of IC cards, magnetic cards, related equipment and application systems in the PRC and has shown a downtrend for years. 2014 was a very challenging year for the Group. The Group's principal business is facing fierce competition. The Group expects that market for CPU smart cards will grow continuously for people are putting more emphasis on the security of private data. With the Group's mature application system for card products, the Directors switch the business focus from the supply of traditional IC Card products to CPU smart cards. Also it is expected that the mature data encryption technology developed by the Group would have wider application to internet financing, media and entertainment and military instrument industries which require a higher standard of security. Therefore, it was the Group's intention to expand its operation targeting such industries.

The Group has an edge in product security and data encryption technology, which enables our products to be competitive in the above industries. The Group is of the view that its CPU smart cards and software products in these sectors will be highly competitive.

Trading in the shares of the Company was halted since 1 April 2014.

As announced on 14 October 2015, the Company has engaged professional firms to provide professional services relating to the resumption of the Shares of the Company. The Company will keep the shareholders and potential investors informed of the progress as and when appropriate.

Chairman's Statement

APPRECIATION

On behalf of the Board, I am grateful for the perseverance and resilience of our staff in such a difficult time and give thanks to all of them for their unswerving efforts. I also take this opportunity to express hearty gratitude to all shareholders, investors and business partners for their patience, understanding and continued support during the adverse period of time.

Li Qi Ming
Chairman
Shenzhen, the PRC, 1 December 2015

Management Discussion and Analysis

BUSINESS AND OPERATIONS REVIEW

In 2014, the price competition for the domestic card products led to decrease in sales. The domestic economy continued to slow down and led to the decrease of demand in the market and intensified market competition, which caused a decline in Company's sales.

The Group's business development was in line with its established goals; that is, to be the leader in the PRC's card industry and terminal system industry, turn M&W into a renowned brand in the PRC's smart card industry and terminal system industry with emphasis on the development of new COS software and hardware products.

1. Adjustment of Key Sales Strategies

As the Group's general memory card business faced intense price competition, the Group has focused on products such as CPU Card and eKey. eKey, the Group's high-end encrypted information security product, has secured a larger market share and greater strengths over its competitiveness in such markets.

We have expanded the COS software and hardware systems relating to identity card security certification. The Group expects to launch various technologies and expand market of COS related products in 2015 and also expects to make a significant breakthrough in sales if such technologies are applied in the huge online shopping market in the PRC.

The Company plans to expand the encryption technology accumulated for years to various fields, and we will provide technical services to the market in a technical cooperation way.

2. Research and Development and Technical Support

We continued to proceed with the R&D of high-end products such as eKey, the Smart Card Operating System (SCOS) and Radio Frequency Identification (RFID) electronic label system. The SCOS has been upgraded to meet the changing needs of industrial applications and development platforms for new chips.

The Group will also develop the second generation of software and hardware of eKey and upgrade the functionality of COS software and hardware products.

Based on years of accumulation of encryption technology, the Group provides personalized products, research and development and technical support to different corporate customers.

3. External Cooperation

We strengthened the integration of identity card certification systems in which it acted as an agent and fully leveraged the Company's brand and sales network to expand the market.

We will strengthen the market development of the COS software and hardware products, and distribute our products to different fields through agency sales mode. We can at the same time get in touch with customers from different areas via the agency sales mode and provide personalized products, research and development and technical support based on the encryption technology.

FINANCIAL REVIEW

For the year ended 31 December 2014, the Group recorded a revenue of approximately RMB25,708,000, representing a decrease of approximately 2.26% as compared with the revenue of approximately RMB26,303,000 in the previous year. Such decrease was mainly due to the keen competition in the traditional IC card market and insufficient working capital to finance their purchases of goods from their suppliers arising from the unfavourable outcome of the litigations as stated in Note 27 to the consolidated financial statements.

The gross profit of the Group for the year ended 31 December 2014 amounted to approximately RMB4,189,000, with a decrease of approximately 40.3% as compared with the gross profit of approximately RMB7,011,000 in the previous year, and its percentage of gross profit for the year decreased from 26.65% to 16.29% as compared with last year. The decrease was mainly attributable to the decrease in the sales of COS software products which were with higher profit margin.

Other gains and losses amounted to approximately (RMB248,000) (2013: (RMB21,892,000)) for the year ended 31 December 2014, representing a decrease in loss of approximately RMB21,644,000 compared with last year. The decrease was mainly due to decrease in impairment loss on trade and other receivables by approximately RMB18,005,000 and no write-down of inventories (2013: RMB3,440,000) for slow-moving and obsolete stocks was made for the year.

Distribution and selling expenses decreased by approximately 12.2% from approximately RMB3,908,000 to approximately RMB3,432,000 for the year ended 31 December 2014. The decrease was mainly due to the tight cost control implemented.

For the year ended 31 December 2014, the Group's general and administrative expenses decreased by approximately 30.1% from approximately RMB9,407,000 to approximately RMB6,571,000 as compared with last year. The decrease was mainly due to decrease in professional fees and cost control implemented.

The finance cost decreased by 79.4% to approximately RMB480,000 as compared to approximately RMB2,332,000 in the previous year, because the interest charge on the loan from a former minority shareholder in 2013 included the under-provision of approximately RMB1,797,000 for the previous years.

This year, no provision for claims was made (2013: RMB22,704,000).

During the year, the income tax expense amounted to approximately RMB34,000 (2013: RMB17,000).

For the year ended 31 December 2014, loss attributable to owners of the Company was approximately RMB6,002,000 as compared to a loss of approximately RMB50,612,000 in 2013. The decrease in loss was mainly attributable to decrease in impairment loss on trade and other receivables of approximately RMB18,005,000, and no provision for claims was made for the year.

Management Discussion and Analysis (continued)

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Financial position

At 31 December 2014, the Group had net current liabilities of approximately RMB55,994,000 (2013: RMB51,277,000), representing an increase of RMB4,717,000 compared with last year. The increase was mainly attributable to the increase in trade and other payables by RMB2,436,000. Taking into account the basis as set out in note 2 to the consolidated financial statements, the Directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the foreseeable future.

Current assets as at 31 December 2014 comprised inventories of approximately RMB196,000 (2013: RMB248,000), trade receivables of approximately RMB2,339,000 (2013: RMB2,308,000), other receivables of approximately RMB5,419,000 (2013: RMB6,996,000) and bank balances and cash of approximately RMB1,659,000 (2013: RMB2,445,000).

Current liabilities as at 31 December 2014 comprised trade and other payables of approximately RMB36,037,000 (2013: RMB33,601,000), amount due to a director of approximately RMB4,000 (2013: RMB105,000), income tax payable of approximately RMB9,000 (2013: RMB11,000), loan from a former minority shareholder of approximately RMB6,853,000 (2013: RMB6,853,000) and provision for claims of approximately RMB22,704,000 (2013: RMB22,704,000).

Gearing ratio

As the Group had a net deficiency in capital at 31 December 2014 and 2013, the Group's gearing ratio as at that date was not applicable.

Capital commitments

At 31 December 2014, the Group had no outstanding capital commitments (2013: Nil).

Financial resources

At 31 December 2014, the Group had bank balances and cash of approximately RMB1,659,000. The Company intends to finance the Group's future operations, capital expenditure and other capital requirements with the existing bank balances.

Capital structure

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

MATERIAL ACQUISITIONS OR DISPOSALS

The Group had no material acquisitions or disposals during the year ended 31 December 2014.

SEGMENTAL INFORMATION

The Group's products are divided into two kinds, namely card products and non-card products. Card products include IC cards, IC chips and related services. Non-card products include card peripheral equipment.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2014, the Group had 49 full time employees, comprising 14 in administration and finance, 10 in research and development and customer services, 23 in sales, 1 in purchase, and 1 in quality control.

The Company had to take continuing control of the workforce to reduce expenses due to the gradual mature of traditional business technology and the competitive market.

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

The Company has established a remuneration committee to make recommendations on the overall strategy of remuneration policies.

CHARGES ON THE GROUP'S ASSETS

At 31 December 2014, there were no assets pledged as collateral for the Group's borrowings (2013: Nil).

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed herein, the Group did not have any details of future plans for material investment or capital assets as at 31 December 2014.

FOREIGN EXCHANGE EXPOSURE

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

LITIGATIONS

Details of the litigation are stated in note 27 to the consolidated financial statements.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2014 (2013: Nil).

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

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

The Board is pleased to report compliance with the code provisions of the CG Code throughout the year ended 31 December 2014 except for the following deviation:

(i) Prior to the appointment of Mr. Liu Guo Fei as the Group's chief executive officer, the function of chairman and chief executive officer of the Group rested on the same individual as detailed in Chairman and the Chief Executive Officer below.

On 28 October 2015, Mr. Liu Guo Fei was appointed as the Group's chief executive officer. Thereafter the Company has complied with the CG Code.

(ii) The Company has not arranged any appropriate Directors and Officers Liability Insurance coverage on the directors' and officers' liabilities in respect of any legal actions against the directors and senior management arising out of corporate activities during the year.

NON-COMPLIANCE WITH THE GEM LISTING RULES

(i) The Company was not able to timely comply with the financial reporting provisions under the GEM Listing Rules in (i) announcing the annual results for the financial years ended 31 December 2013 and 2014 and the first and third quarterly results for 2014 and 2015, and the interim results for 2014 and 2015 and (ii) publishing the related annual reports, and quarterly and interim reports for 2014 and 2015.

(ii) The Company did not make timely disclosure of and seek independent shareholders' approval for the continuing connected transactions for the financial years ended 31 December 2012, 2013 and 2014 as well as the period from 1 January 2015 to 30 September 2015 as detailed in the Company's announcement dated 14 October 2015, which constitutes a non-compliance of the GEM Listing Rules under Chapter 20.

(iii) Reference is made to Note 27 to the consolidated financial statements in relation to several litigations of the Group, the status of which had not been properly updated as required by the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Rule 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry with all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The Board comprises seven directors, of whom four are executive directors and three are independent non-executive directors. Detail of backgrounds and qualifications of the chairman of the Company and the other Directors are set out on the pages 19–20 of the Annual Report. The participation of non-executive directors in the Board brings independent judgement on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders of the Company have been duly considered.

For the year ended 31 December 2014, the Board fulfilled the minimum requirement of appointing at least three independent non-executive directors as required by the GEM Listing Rules and the number of independent non-executive directors is one-third of the members of the Board as noted above. The Company met the requirement of having non-executive director with appropriate professional qualification or professional accounting or financial management expertise.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM listing Rules. The Company considers all of its independent non-executive directors are independent of the Company. The Board is responsible to the approval and monitoring of the Group's overall strategies and policies; approval of business plans; evaluating the performance of the Group and oversight of management. It is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs.

The Board focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group. The Board delegates day-to-day operations of the Group to executive directors and senior management, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through executive directors who have attended at Board meetings.

The Board held a board meeting at least at each quarter or in case there is important decision to make. The following table sets out the attendance of the Board and Audit Committee during the year ended 31 December 2014:

The Attendance of Directors and Committee Members

The Directors' attendances of the meetings of the Board, the Audit Committee, the Remuneration Committee, Nomination Committee and General Meeting in the year ended 31 December 2014 are as follows:

	Number of meetings attended/Number of meetings			
Name of Directors	**The Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr. Li Qi Ming *(Chairman)*	4/4	—	—	—
Mr. Loo Chung Keung, Steve *(Vice-chairman)*	4/4	—	—	—
Mr. Au-Yeung Ka Keung (resigned on 14 September 2015)	2/4	—	—	—
Mr. Liu Guo Fei	4/4	—	—	—
Independent Non-Executive Directors				
Mr. Gao Xiang Nong	4/4	4/4	1/1	1/1
Mr. Chen Hong Lei	4/4	4/4	1/1	1/1
Ms. Huang Jinmin (resigned on 1 September 2015)	2/4	2/4	0/1	1/1

RESPONSIBILITIES OF THE BOARD

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. The Board delegates the day-to-day management, administration and operation of the Group to management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

The Board held meetings from time to time whenever necessary. At least 7 days notice of regular Board meetings is given to all directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the directors to review the documents.

Minutes of every Board meeting are circulated to all directors for their perusal and comments prior to confirmation of the minutes. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to is charge their duties and responsibilities.

CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

Prior to the appointment of Mr. Liu Guo Fei as the Group's chief executive officer on 28 October 2015, Mr. Li Qi Ming assumed the function of both the chairman and the chief executive officer of the Company. While serving as the chairman of the Group, Mr. Li leads the Board and is responsible for the proceedings and workings of the Board. He ensures that:

— the Board acts in the best interests of the Group; and

— the Board functions effectively, and that all key and appropriate issues are properly briefed and discussed by the Board.

The function of chairman and chief executive officer of the Group rests on the same individual which deviates from the code provision in the Corporate Governance Code of not having a clear division of responsibilities. The Board is of the view that has not compromised accountability and independent decision making for the following reasons:

— Audit Committee composed exclusively of independent non-executive directors; and

— The independent non-executive Directors have free and direct access to the Company's external auditors and independent professional advice when considered necessary.

Mr. Li, the executive chairman, is a substantial shareholder of the Group and has considerable industry experience. He is motivated to contribute to the growth and profitability of the Group. The Board is of the view that it is in the best interests of the Group to have an executive chairman so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is most capable to guide discussions and brief the Board in a timely manner on pertinent issues and developments to facilitate open dialogue between the Board and the management.

Corporate Governance Report (continued)

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All independent non-executive directors are appointed for a specific term which may be extended as each and the Company may agree. The current articles of association of the Company provide that subject to the manner of retirement by rotation of directors as from time to time prescribed by the Listing Rules, at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation and that every director shall be subject to retirement by rotation at least once every 3 years.

PROFESSIONAL DEVELOPMENT

To assist directors' continuing professional development, the Company recommends directors to attend relevant seminars to develop and refresh their knowledge and skills. All directors also participate in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. A record of the training received by the respective directors are kept and updated by the company secretary of the Company. According to the records provided by the Directors, a summary of training received by the directors since 1 January 2014 up to 31 December 2014 is as follows:

	Reading seminar materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements	Attending seminars, programmes, conferences relevant to the business or directors duties
Name of Directors		
Executive Directors		
Mr. Li Qi Ming *(Chairman)*	√	√
Mr. Loo Chung Keung, Steve *(Vice-chairman)*	√	√
Mr. Liu Guo Fei	√	√
Mr. Au-Yeung Ka Keung (resigned on 14 September 2015)	√	√
Independent Non-Executive Directors		
Mr. Gao Xiang Nong	√	√
Mr. Chen Hong Lei	√	√
Ms. Huang Jinmin (resigned on 1 September 2015)	√	√

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") currently comprises 3 independent non-executive directors, Mr. Gao Xiang Nong, Mr. Chen Hong Lei and Mr. Yu Xiuyang, who have reviewed the financial statements for the year ended 31 December 2014. Mr. Gao Xiang Nong is the chairman of the Audit Committee, who has appropriate professional qualifications and accounting and/or related financial management expertise. No member of the Audit Committee is a member of the former or existing auditor of the Company. The terms of reference of the Audit Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

Our Audit Committee has primary responsibility for monitoring the quality of internal control and ensuring that the financial performance of the Company is properly measured and reported on, receiving and reviewing reports from management and the auditors relating to the annual and interim accounts, and monitoring the accounting and internal control system in use throughout the Group. The Board has not taken any different view from that of the Audit Committee regarding the selection, appointment or dismissal of external auditors.

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

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

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

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

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

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established on 3 July 2008 and currently comprises 3 independent non-executive directors, Mr. Gao Xiang Nong, Mr. Chen Hong Lei and Mr. Yu Xiuyang. Mr. Gao Xiang Nong is the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

The roles and functions of the Remuneration Committee include consulting the chairman of the Board about their remuneration proposals for other executive directors, making recommendation to the Board on the Company's remuneration policy and structure for all directors' and senior management and the Remuneration Committee has adopted the approach under the code provisions to make recommendations to the Board on the remuneration packages of individual executive directors and senior management.

Meeting of the Remuneration Committee shall be held at least once a year. One meeting was held during the year ended 31 December 2014.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established on 3 July 2008 and currently comprises 3 independent non-executive directors, Mr. Gao Xiang Nong, Mr. Chen Hong Lei and Mr. Yu Xiuyang. Mr. Gao Xiang Nong is currently the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

The roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board at least annually, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship (if necessary), assessing the independence of the independent non-executive directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the chief executive officer. In considering the nomination of new directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the cards and/or other professional areas.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

The directors acknowledge their responsibilities (as set out in the Independent Auditor's Report) for preparing the financial statements of the Group that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by auditor about their reporting responsibility is set out in the Independent Auditor's Report.

Internal Control and Risk Management

The Board is responsible for the Company's internal control system and risk management procedures and for reviewing the effectiveness of the Company's internal control. The Board has conducted a review of, and is satisfied with the effectiveness of the system of internal controls of the Group.

The Group is committed to the identification, monitoring and management of risks associated with its business activities. The Group's internal control system is designed to provide reasonable assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of business objective. The system includes a defined management structure with segregation of duties and a cash management system such as monthly reconciliation of bank accounts.

The Board reviews the effectiveness of the Group's material internal controls and is of the opinion that the resources for and qualifications of staff of the Company's accounting and financial reporting function are adequate and sufficient. Based on information furnished to it and on its own observations, the Board is satisfied with present internal controls of the Group.

Auditors' Remuneration

During the financial year ended 31 December 2014, the fees paid/payable to the Company's auditors is set out as follows:

SERVICES RENDERED	Fees paid/ payable RMB'000
Audit services	633

COMPANY SECRETARY

Mr. Ho Yuk Ming, Hugo ("Mr. Ho") was appointed as the company secretary of the Company on 11 July 2013 and resigned on 1 March 2014. Miss. Ma Shuk Fong ("Miss. Ma") was appointed as the company secretary of the Company on 1 March 2014 and resigned on 19 September 2015. Mr. Tam Siu Po ("Mr. Tam") was appointed as the Company secretary of the Company on 19 September 2015. The biographical details of Mr. Tam are set out under the section headed "Directors, Supervisor and Senior Management".

According to the newly introduced Rule 3.15 of the GEM Listing Rules, Miss. Ma have taken not less than 15 hours of relevant professional training during the financial year ended 31 December 2014.

SUPERVISORY COMMITTEE

As at the date of this report, the supervisory committee of the Company comprises three members, namely Mr. Li Xiang (Chairman), Ms. Liu Wei Qun and Mr. He Wei Ming. The supervisory committee is responsible for exercising supervision over the Board and its members and the senior management; and preventing them from abusing their power and authorities and jeopardizing the legal interests of the shareholders, the Company and its employees. During the year ended 31 December 2014, the supervisory committee should hold meetings to review the financial positions of the Group and launched various activities to adhere to the principle of good faith. No meeting was held during the year ended 31 December 2014.

SHAREHOLDERS' RIGHTS

The Board is committed to maintaining an on-going dialogue with shareholders and providing timely disclosure of information concerning the Group's material developments to shareholders.

Corporate Governance Report (continued)

(a) Annual General Meeting

The Annual General Meeting ("AGM") of the Company provides a forum for communication between shareholders and the Board. The notice of the AGM is despatched to all shareholders at least 45 days prior to such AGM. The chairmen of all Board Committees are invited to attend the AGM. The Chairman of the Board and the chairmen of all the Board Committees, or in their absence, other members of the respective Committees, are available to answer questions at the AGM. The Auditor is also invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor's independence. The Company's policy is to involve shareholders in the Company's affairs and to communicate with them about the activities and prospects face-to-face at the AGM.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting will be taken by poll. Detailed procedures for conducting a poll will be explained to the shareholders at the general meeting to ensure that shareholders are familiar with such voting procedures. The poll results will be posted on the websites of The Stock Exchange of Hong Kong Limited and the Company on the business day following the general meeting. Moreover, separate resolution will be proposed by the chairman of a general meeting in respect of each substantially separate issue.

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

All general meetings other than the annual general meeting are called extraordinary general meetings. An extraordinary general meeting may be convened at the request of shareholders under the following conditions:

1. On the written requisition of any one or more shareholders of the Company holding as at the date of deposit of the requisition not less than 10 per cent of the paid-up capital of the Company which carries the right of voting at a general meeting of the Company;

2. The requisition must specify the objects of the meeting, be signed by the requisitionists, and be deposited at the principal place of business of the Company in Hong Kong as set out on page 2 of this annual report under the "Corporate Information" section;

3. The shareholders planning to attend the general meetings shall deliver the written reply on participating in the meeting to the Company 20 days before the general meeting is held. The Company shall calculate the shares with the voting right represented by the shareholders planning to attend the general meeting according to the written reply received 20 days before the general meeting is held. The Company can hold the general meeting when the shares with the voting right represented by the shareholders planning to attend the meeting exceed more than 50 per cent of the total shares of the Company with the voting right; and otherwise, the Company shall notify the shareholders again of the issues to be reviewed, the date and the venue of the meeting in the form of announcement within 5 days, and then the Company can hold the general meeting.

(c) Procedures for Putting Forward Proposals at General Meetings

1. If shareholders would like to put forward proposals at the general meetings, the board of directors, the board of supervisors, and the shareholders holding more than 3 per cent of the Company shares either independently or collectively shall have the right to submit proposals to the Company. Such proposals shall be delivered to the Company within 30 days after the sending of the aforesaid notice;

2. The Board will take into consideration the details of the proposal and reply to the shareholders concerned by writing of when and how the proposal is considered, or if applicable, why the proposal not accepted in due course. Contact details of the Company's principal place of business are set out on page 2 of this annual report under the section headed "Corporate Information".

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

1. If a shareholder wishes to propose a person other than a Director of the Company for election as a Director at any general meeting, he/she can deposit a written notice to that effect at the principal place of business of the Company for the attention of the Company Secretary;

2. In order for the Company to inform its shareholders of that proposal, the written notice must state the full name of the person proposed for election as a Director, include the person's biographical details as required by the GEM Listing Rules, and be signed by the shareholder concerned and that person indicating his/her willingness to be elected. The period for lodgment of such a written notice will commence no earlier than the day after the dispatch of the notice and end no later than seven days prior to the date of any general meeting.

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

All shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong as set out on page 2 of this annual report under the section headed "Corporate Information" for the attention of the Company Secretary or by email to us at szmw@mwcard.com.

INVESTORS' RELATIONS

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

There was no change in constitutional documents of the Company for the year ended 31 December 2014. Investors can also obtain the latest constitutional documents of the Company from the Company's website.

Corporate Governance Report (continued)

COMMUNICATION WITH SHAREHOLDERS

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

The annual general meetings are an appropriate forum for direct communication between the Board and shareholders. Shareholders can raise questions directly to the Board in respect of the performance and future development of the Group at annual general meetings.

Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Li Qi Ming, aged 56, is the chairman and an executive director. He joined the Group in June 1994 and was the general manager of the Company. Before joining the Company, he has held positions in 肇慶市國有林業總場 (Zhaoqing State-owned Forestry Administration), 四會市人民法院 (Sihui People's Court) and a property management company in Shenzhen as general staff respectively.

Mr. Loo Chung Keung, Steve, aged 52, is an executive director appointed on 15 October 2013 and has over 20 years of experience in investment, trading, finance and media sectors in Hong Kong and the PRC. Mr. Loo graduated with a Bachelor degree in Commerce with highest honours in 1985 and a Master degree in Management Studies in 1987 both from Carleton University in Canada. He is a certified general accountant of Canada.

Mr. Liu Guo Fei, aged 40, is an executive director and also the chief executive officer appointed on 28 October 2015. He obtained a bachelor degree of Electromechanical Engineering from Guang Dong University of Technology and MBA degree from Columbia Southern University (US), and has about 18 years' management experience in manufacture, investment, marketing sectors . Mr. Liu joined the Company in January 1999 and has been a vice-president of the Company since February 2007. He also studied executive financial and capital operation course in Peking University and Tsinghua University for 4 years.

Ms. Hou Qian, aged 32, is an executive director appointed on 13 October 2015 and has many years of investment experience in the domestic and foreign equity, debt right and real estate field. Ms. Hou holds a bachelor degree in business administration from Huazhong University of Science and Technology. Currently Ms. Hou is the chairman of Shanghai HuanCheng Technology Company Limited, a company incorporated in the People's Republic of China and principally engaged in the provision of advice and services in relation to information system compositive aptitude.

Independent Non-Executive Directors

Mr. Gao Xiang Nong, also known as Mr. Gao Xiang Nong, Paul, aged 46 is an independent non-executive director appointed on 2 February 2004. Mr. Gao has a finance background and has over 10 years of experience in management, marketing and accounting in USA, where he obtained his education. On returning to Asia, Mr. Gao has held various executive positions in different Hong Kong and Singapore public listed companies. He is currently CEO and executive director of Nutryfarm International Limited, a listed company in Singapore. Mr. Gao holds an MBA degree from the California State University, and is a Certified Public Accountant with the State Board of Accountancy, Colorado, USA.

Mr. Chen Hong Lei, aged 46, is an independent non-executive director appointed on 5 February 2013, and has obtained a MBA degree in Finance at the Chinese University of Hong Kong in 2012. Mr. Chen has over 20 years valuable experience in banking and finance industry field.

Mr. Yu Xiuyang, aged 61, is an independent non-executive director appointed on 1 September 2015. Mr. Yu graduated from the Faculty of Law at Shanghai University in 1998, and worked as the member of the Legal Publicity Division of Shanghai Bureau of Justice, the head of the research department of the Shanghai Law Society and the associate editor of Shanghai Journal of Legal Studies in 1997. In 2003, Mr. Yu founded Sunglow Elite Law Firm and serves as the Head of the firm. Mr. Yu was the Executive Director and Vice President of Glorious Property Holdings Limited, a company listed on The Stock of Exchange Hong Kong, from February 2009 to April 2014, and he retired in June 2014. He currently serves as the Head of Sunglow Elite Law Firm.

Directors, Supervisors and Senior Management (continued)

SUPERVISORS

Mr. Li Xiang, aged 42, graduated from 武漢大學 (Wuhan University) with undergraduate degree in 情報科學系 (Faculty of Intelligence Science). Since he joined the Company in 1995, he has been the division general manager, Vice Chief Engineers, Assistant of Chief Executive Officer and assistant of the person in charge of the Beijing Research and Development Institute of the Group. Currently, he is the Vice Chief Officer of Market Operation Management Center of the Group.

Ms. Liu Wei Qun, aged 59, graduated from 南京大學 (Nanjing University) with a specialty in Catalytic Chemistry. She has worked in various companies such as 深圳市寶安金橋實業有限公司 (Shenzhen Bao An Jin Qiao Industrial Company) and 深圳南港動力工程有限公司 (Shenzhen Nanguang Power Co. Ltd.). She joined the Group in April 2001. Currently, she is a senior engineer and assistant general manager of 深圳市大明五洲投資控股有限公司 (Shenzhen Damingwuzhou Investment Holding Corporation Limited).

Mr. He Wei Ming, aged 60, currently the manager of the human resources and administrative department of Sihui Mingwah Aohan Technology Company Limited, a subsidiary of the Company.

COMPLIANCE OFFICER

Mr. Li Qi Ming will advise on and assist the Board in implementing procedures to ensure that the Company complies with the GEM Listing Rules and other relevant laws and regulations applicable to the Company and responding promptly and efficiently to all enquires directed to him by the Stock Exchange.

SENIOR MANAGEMENT

Mr. Tam Siu Po, aged 44, is the financial controller of the Group and also the company secretary of the Company appointed on 19 September 2015. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. He holds a bachelor degree in Business Administration from Lingnan University and has 15 years of audit experiences in the field of accounting and financial management for the listed and private companies in Hong Kong.

Report of Supervisory Committee

To the Shareholders,

The Supervisory Committee (the "Supervisory Committee") of Shenzhen Mingwah Aohan High Technology Corporation Limited, in compliance with the relevant laws and regulations and the Articles of Association of the Company, has conducted its work in accordance with the fiduciary principle, and has taken up an active role to work seriously and with diligence to protect the interests of the Company and its shareholders.

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

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

Up till now, none of the Directors, chief executive and senior management staff had been found to have abused their authority, damaged the interests of the Company or infringed upon the interests of its shareholders and employees. None of them was found to be in breach of any laws and regulations or the Articles of Association of the Company. The Supervisory Committee is satisfied with the achievement and cost-effectiveness of the Company in 2014 and has great confidence in the future of the Company.

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

Mr. Li Xiang
Shenzhen, the PRC, 1 December 2015

Directors' Report

The board of directors (the "Directors" or the "Board") of Shenzhen Mingwah Aohan High Technology Corporation Limited (the "Company") have pleasure in presenting their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company and its subsidiaries are principally engaged in design, development and manufacture of IC cards, magnetic cards, related equipment and application systems in the People's Republic of China (the "PRC").

SEGMENTAL INFORMATION

An analysis of the Group's revenue and results by products for the year ended 31 December 2014 is set out in note 11 to the consolidated financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the five largest suppliers of the Company accounted for approximately 97% of the Group's purchases. The largest supplier accounted for approximately 50% of the purchases of the Group.

Aggregate turnover attributable to the Group's five largest customers accounted for approximately 53% of the total revenue. The largest customer accounted for approximately 19% of the revenue of the Group.

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 31.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2014.

FIVE YEARS' FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 80. This summary does not form part of the audited consolidated financial statements.

RESERVES

Movements in the reserves of the Group during the year are set out in consolidated statement of changes in equity on page 33. The Company has no reserves available for distribution to shareholders as at 31 December 2014 and 31 December 2013.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year are set out in note 20 to the consolidated financial statements.

SHARE CAPITAL

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

BORROWINGS

Details of loan from a former minority shareholder of the Group as at 31 December 2014 are set out in note 26 to the consolidated financial statements.

Directors' Report (continued)

DIRECTORS AND SUPERVISORS

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

Executive Directors

Mr. Li Qi Ming *(Chairman)*
Mr. Loo Chung Keung, Steve *(Vice-chairman)*
Mr. Liu Guo Fei
Mr. Au-Yeung Ka Cheung (resigned on 14 September 2015)
Ms. Hou Qian (appointed on 13 October 2015)

Independent Non-Executive Directors

Mr. Gao Xiang Nong
Mr. Chen Hong Lei
Ms. Huang Jinmin (resigned on 1 September 2015)
Mr. Yu Xiuyang (appointed on 1 September 2015)

Supervisors

Mr. Li Xiang
Ms. Liu Wei Qun
Mr. He Wei Ming

In accordance with the provisions of the Company's Articles of Association, the Directors and supervisors are elected at a shareholders' meeting of the Company for a term of three years, renewable upon re-election at re-appointment.

MANAGEMENT CONTRACTS

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

Under each service contract, subject to shareholders' approval in general meeting, either party may terminate the contract at any time by giving to the others not less than 3 months' prior written notice. No director or supervisor proposed for the re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Report (continued)

DISCLOSURES OF INTEREST

1. Directors', Chief Executives' and Supervisors' Interest in Shares

As at 31 December 2014, the interests and long positions of the Directors, the Chief Executive and the Supervisors and their respective associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors referred to in Rule 5.46 of the GEM Listing Rules (the "Required Standard of Dealings") were as follows:

Name of Director/ Chief Executive/Supervisor	Capacity	Number and class of securities	Approximate percentage of domestic shares	Approximate percentage of total registered share capital
Mr. Li Qi Ming	Beneficial owner	229,840,000 domestic shares	71.87%	44.2%

Other than the holdings disclosed above, none of the Company's directors, chief executives, supervisors, and their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2014.

Notes:

1. The Company has been informed by Ms. Hou Qian, an executive Director of the Company, on 24 August 2015 that she had completed the acquisition (the "Acquisition") of 58,240,000 domestic shares of the Company. After the acquisition, Ms. Hou Qian is interested in 58,240,000 domestic shares of the Company, representing approximately 18.21% of the total issued domestic shares of the Company as at the date hereof.

2. The Company has been informed by Mr. Li Qi Ming, an executive Director of the Company, on 24 August 2015 that he had disposed of (the "Disposal") 57,200,000 domestic shares of the Company. After the acquisition, Mr. Li Qi Ming is interested in 172,640,000 domestic shares of the Company, representing approximately 53.98 % of the total issued domestic shares of the Company as at the date hereof.

Directors' Report (continued)

2. Substantial Shareholders

So far as the Directors are aware, as at 31 December 2014, the persons or companies (not being a Director, supervisor or chief executive of the Company) have interests and/or long positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO, and who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are listed as follows:

Name of substantial shareholder	Capacity	Number and class of securities	Approximate percentage of shares in the same class	Approximate percentage of total registered share capital
Princeps MB Asset Management Corp.	Beneficial owner	11,416,000 H shares	5.70%	2.20%
Shenzhen Gangao Huijin Investment Company Limited	Beneficial owner	33,800,000 domestic shares	10.57%	6.50%
Mr. Guo Fan	Beneficial owner	31,460,000 domestic shares	9.84%	6.05%

DIRECTORS' AND SUPERVISORS' RIGHT TO ACQUIRE H SHARES

As at 31 December 2014, none of the Directors, supervisors and chief executive of the Company was granted options to subscribe for H shares of the Company. As at 31 December 2014, none of the Directors, supervisors and chief executives of the Company had any rights to acquire H shares in the Company.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

SHARE OPTION SCHEME

The Company has not granted or issued any option up to 31 December 2014.

RELATED PARTY AND CONTINUING CONNECTED TRANSACTIONS

Details of related party and continuing connected transactions of the Group, are set out in note 30 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

Directors' Report (continued)

SUFFICIENCY OF PUBLIC FLOAT

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in note 34 to the consolidated financial statements.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 9 to 19 of this Annual Report.

COMPETING INTERESTS

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

AUDITOR

The consolidated financial statements for the year ended 31 December 2014 were audited by Messrs. KTC Partners CPA Limited. A resolution for the reappointment of Messrs. KTC Partners CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

By Order of the Board
Li Qi Ming
Chairman

Shenzhen, the PRC, 1 December 2015

Independent Auditor's Report

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

Tel 電話: (852) 2314 7999 Fax 傳真: (852) 2110 9498
E-mail 電子郵箱: info@ktccpa.com.hk
Room 801 & 802A, 8/F., Tower 2, South Seas Centre,
75 Mody Road, Tsimshatsui East, Kowloon, Hong Kong
香港九龍尖沙咀東部麼地道75號南洋中心第二座八樓801及802A室

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

We have audited the consolidated financial statements of Shenzhen Mingwah Aohan High Technology Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 79, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (continued)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER IN RELATION TO THE GOING CONCERN BASIS FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Without qualifying our opinion, we draw attention that the Group incurred a significant loss of approximately RMB6,122,000 for the year ended 31 December 2014, and as at 31 December 2014 had net current liabilities of approximately RMB55,994,000 and capital deficiency of RMB55,380,000. These conditions, along with other matters as set forth in Note 2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

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

Hong Kong
1 December 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	10	**25,708**	26,303
Cost of sales		**(21,519)**	(19,292)
Gross profit		**4,189**	7,011
Other income	10	**454**	1,541
Other gains and losses	12	**(248)**	(21,892)
Distribution and selling expenses		**(3,432)**	(3,908)
General and administrative expenses		**(6,571)**	(9,407)
Finance costs	13	**(480)**	(2,332)
Provision for claims	27(b)	**—**	(22,704)
Loss before taxation	14	**(6,088)**	(51,691)
Income tax expense	15	**(34)**	(17)
Loss for the year		**(6,122)**	(51,708)
Other comprehensive (expenses) income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**(4)**	9
Total comprehensive expenses for the year		**(6,126)**	(51,699)
Loss for the year attributable to:			
Owners of the Company		**(6,002)**	(50,612)
Non-controlling interests		**(120)**	(1,096)
		(6,122)	(51,708)
Total comprehensive expenses for the year attributable to:			
Owners of the Company		**(6,006)**	(50,603)
Non-controlling interests		**(120)**	(1,096)
		(6,126)	(51,699)
Loss per share			
Basic and diluted (RMB' cents)	16	**(1.15)**	(9.73)

Consolidated Statement of Financial Position

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	20	**614**	2,023
Current assets			
Inventories	21	**196**	248
Trade and other receivables	22	**7,758**	9,304
Bank balances and cash	23	**1,659**	2,445
		9,613	11,997
Current liabilities			
Trade and other payables	24	**36,037**	33,601
Amount due to a director	25	**4**	105
Income tax payable		**9**	11
Loan from a former minority shareholder	26	**6,853**	6,853
Provision for claims	27(b)	**22,704**	22,704
		65,607	63,274
Net current liabilities		**(55,994)**	(51,277)
Net liabilities		**(55,380)**	(49,254)
Capital and reserves			
Share capital	28	**52,000**	52,000
Reserves		**(106,801)**	(100,795)
Equity attributable to owners of the Company		**(54,801)**	(48,795)
Non-controlling interests		**(579)**	(459)
Capital deficiency		**(55,380)**	(49,254)

The consolidated financial statements on pages 31 to 79 were approved and authorised for issue by the board of directors on 1 December 2015 and are signed on its behalf by:

Mr. Li Qi Ming
Director

Mr. Liu Guo Fei
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (Note (a))	Statutory public welfare fund RMB'000 (Note (b))	Translation reserve RMB'000 (Note (c))	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2013	52,000	17,574	5,954	2,978	—	(76,698)	1,808	637	2,445
Total comprehensive income (expenses) for the year	—	—	—	—	9	(50,612)	(50,603)	(1,096)	(51,699)
At 31 December 2013	52,000	17,574	5,954	2,978	9	(127,310)	(48,795)	(459)	(49,254)
Total comprehensive expenses for the year	—	—	—	—	(4)	(6,002)	(6,006)	(120)	(6,126)
At 31 December 2014	**52,000**	**17,574**	**5,954**	**2,978**	**5**	**(133,312)**	**(54,801)**	**(579)**	**(55,380)**

Notes:

(a) Statutory surplus reserve

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

(b) Statutory public welfare fund

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

(c) Translation reserve

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES		
Loss before taxation	**(6,088)**	(51,691)
Adjustments for:		
Bank interest income	**(17)**	(28)
Depreciation of property, plant and equipment	**1,414**	1,566
Finance costs	**480**	2,332
Loss on disposal of property, plant and equipment	**—**	198
Impairment loss recognised in respect of trade and other receivables	**248**	18,253
Allowance for write-down of inventories	**—**	3,440
Provision for claims	**—**	22,704
Operating cash flows before movements in working capital	**(3,963)**	(3,226)
Decrease (increase) in inventories	**52**	(21)
Decrease in trade and other receivables	**1,298**	4,879
Increase (decrease) in trade and other payables	**1,951**	(1,071)
Cash (used in) generated from operations	**(662)**	561
PRC enterprise income tax paid	**(36)**	(9)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	**(698)**	552
INVESTING ACTIVITIES		
Proceeds on disposal of property, plant and equipment	**—**	200
Interest received	**17**	28
Purchase of property, plant and equipment	**(5)**	(479)
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	**12**	(251)
FINANCING ACTIVITIES		
(Repayment to) advance from a director	**(101)**	60
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	**(101)**	60
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(787)**	361
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**2,445**	2,075
Effect of foreign exchanges rate changes	**1**	9
CASH AND CASH EQUIVALENTS AT THE END THE OF YEAR, represented by bank balances and cash	**1,659**	2,445

Notes to the Consolidated Financial statements

For the year ended 31 December 2014

1. GENERAL

Shenzhen Mingwah Aohan High Technology Corporation Limited (the "Company") was incorporated as a joint stock company with limited liability in the People's Republic of China (the "PRC") and its H shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and have been suspended for trading since 1 April 2014.

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

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

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the design, development and manufacture of IC cards, magnetic cards and related equipment and application systems in the PRC.

2. BASIS OF PREPARATION

The Group incurred a significant loss of approximately RMB6,122,000 for the year ended 31 December 2014, and as at 31 December 2014 had net current liabilities of approximately RMB55,994,000 and a capital deficiency of approximately RMB55,380,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liability in the normal course of business. Nevertheless, the Directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from the date of approval of these consolidated financial statements on the basis that:

(i) the Directors of the Company will anticipate that the Group will generate positive cash flows from its future operations;

(ii) two major shareholders of the Company have committed to provide continuing support to enable the Group to operate as a going concern and meet its liabilities as they fall due in the foreseeable future;

(iii) the Group has obtained a loan of approximately RMB6,500,000 from a shareholder as stated in Note 34(i) to the consolidated financial statements;

(iv) to raise funds by way of issuing additional equity of approximately RMB82,320,000 as stated in Note 34(ii) to the consolidated financial statements; and

(v) the Company entered a loan facility agreement for an amount of HK$20,000,000 (equivalent to approximately RMB16,400,000) with a new major shareholder as stated in Note 34 (iii) to the consolidated financial statements.

Accordingly, the Directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to the consolidated financial statements to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets as current assets. The effect of these adjustments has not been reflected in the consolidated financial statements.

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realization and settlement".

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

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

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The Group has applied the amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to HKAS 39 provide relief form the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendment have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

HK(IFRIC)-Int 21 Levies

The Group has applied HK(IFRIC)-Int 21 Levies for the first time in the current year. HK(IFRIC)-Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

HK(IFRIC)-Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[3]
HKFRS 9	Financial Instruments[6]
HKFRS 14	Regulatory Deferral Accounts[4]
HKFRS 15	Revenue from contracts with customers[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]

1 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.
3 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
4 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
6 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The Directors of the Company anticipate that, except as described below, the application of the other new and revised standards, amendments and interpretations will have no material impact on the results and financial position of the Group.

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only one dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. The directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

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

Annual Improvements to HKFRSs 2010–2012 Cycle

The annual improvements to HKFRSs 2010–2012 Cycle include a number of amendments to various HKFRSs, which are summarized below.

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and"market condition", and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognized in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision maker.

The amendments to the basis for conclusion of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel service to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRS 2010–2012 Cycle will have a material effect on the Group's consolidated financial statements.

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

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

Annual Improvements to HKFRS 2011–2013 Cycle

The Annual Improvements to HKFRSs 2011–2013 Cycle includes a number of amendments to various HKFRSs which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of and accounted for in accordance with HKAS 39 or HKFRS 9 even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether: (a) the property meets the definition of investment property in terms of HKAS 40; and (b) the transaction meets the definition of a business combination under HKFRS 3.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRS 2011–2013 Cycle will have a material effect on the Group's consolidated financial statements.

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

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

Annual Improvements to HKFRS 2012–2014 Cycle

The Annual Improvements to HKFRSs 2012–2014 Cycle includes a number of amendments to various HKFRSs which are summarised below.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosure — Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and the same time as the interim financial statements.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of Preparation

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal accounting policies are set out below:

Basis of consolidation

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

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

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

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

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

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

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

Investments in subsidiaries

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

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services rendered in the normal course of business, net of returns, discounts and sales related taxes.

(i) Sale of goods

Sales of goods is recognised when goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Service income

Service income is recognised when services are rendered.

(iii) Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

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

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

Foreign currencies

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

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

Borrowing costs

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

Government grants

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

Retirement benefit costs

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

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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

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

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

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

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

Inventories

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

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit and loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

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

Equity instruments

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

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to directors, loan from a former minority shareholder and provision for claims are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition (Continued)

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

Provisions

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

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

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

Cash and cash equivalents

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

Impairment losses on tangible assets

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

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person,

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

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the Group (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group 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 controlled or jointly controlled by a person identified in (a); and
- (vi) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the Directors of the Company 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 may differ from these estimates.

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

Critical judgments in applying the entity's accounting policies

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Going concern consideration

The assessments of the going concern assumptions involve making judgement by the Directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The Directors consider that the Group has the ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumptions are set out in Note 2 to the consolidated financial statements.

Key sources of estimation uncertainty

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

Estimated impairment of receivables

Impairment of receivables is made based on an assessment of the recoverability of trade and other receivables and the timing of their recovery. The identification of impairment of receivables requires management judgement and estimation. Where the actual outcome or expectation in future is different from the original estimates, the differences will impact on the carrying value of trade and other receivables and the amount of impairment/write-back of impairment in the periods in which the estimates have been changed. At 31 December 2014, the carrying amount of trade receivables was approximately RMB2,339,000 (2013: RMB2,308,000), net of impairment loss of approximately RMB18,202,000 (2013: RMB17,954,000) and other receivables was approximately RMB5,419,000 (2013: RMB6,996,000), net of impairment loss of approximately RMB302,000 (2013: RMB302,000).

Allowance for inventories

The management of the Group reviews an aging analysis at the end of each reporting period, and makes impairment loss on obsolete and slow-moving inventory items identified that are no longer suitable for sales or use in production. The management estimates the net realisable value for such raw materials and finished goods based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and made allowance for slow-moving and obsolete inventories of Nil (2013: RMB3,440,000) for the year ended 31 December 2014.

Provision for claims

During the current and prior years, the Group had been involved in certain litigations and claims (Note 27(b)). The Directors determine the provision for claims based on their best estimates according to their understanding of legal advice. Where the final outcome of the claim and negotiation with the respective creditors is different from the estimation made by the Directors, such difference will impact the provision for claims in the year in which such determination is finalised. No provision for claims was made for the year ended 31 December 2014 (2013: RMB22,704,000).

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Income taxes

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

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which includes loan from a former minority shareholder disclosed in Note 26, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

Gearing ratio

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

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

	2014 **RMB'000**	2013 RMB'000
Debts (i)	**6,853**	6,853
Bank balances and cash	**(1,659)**	(2,445)
Net debt	**5,194**	4,408
Capital deficiency (ii)	**(54,801)**	(48,795)
Net debt-to-equity ratio (iii)	**N/A**	N/A

(i) Debts are defined as long and short-term borrowings (including loan from a former minority shareholder).

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

(iii) As the group had a net deficiency in capital at 31 December 2014, the Group's gearing ratio as at that date was not applicable.

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets		
Loans and receivables (including bank balances and cash)	**9,417**	11,749
Financial liabilities at amortised cost	**50,407**	47,888

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, amount due to a director, loan from a former minority shareholder and provision for claims. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

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

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

	2014 RMB'000	2013 RMB'000
Assets	**—**	7
Liabilities	**2,835**	1,060

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

Interest rate risk

The interest income is derived from the Company' s current deposits that carry interest at the respective bank deposit rate of the banks located in the PRC.

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

The Group's cash flow interest rate risk relates primarily to its variable-rate loan from a former minority shareholder (see Note 26 for details). It is the Group's policy to keep this loan at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's bank deposits are short-term in nature and the exposure of the interest rate risk is minimal and no sensitivity to interest rate risk is presented.

The Group's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the base lending rate published by the People's Bank of China.

Sensitivity analysis

As of 31 December 2014, it is estimated that a general 100 basis point increase or decrease in interest rates, with all other variables held constant, would increase or decrease the Company's loss for the year ended 31 December 2014 and accumulated losses by approximately RMB69,000 (2013: RMB69,000).

The above sensitivity analysis has been determined assuming that a change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents directors' assessment of a reasonably possible change in interest rates over the period until the next reporting period. The analysis was performed on the same basis for the year ended 31 December 2013.

Credit risk

At 31 December 2014 and 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are authorised banks in the PRC with high credit ratings.

The group has concentration of credit risk as 31% (2013: 32%) and 67% (2013: 72%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

At 31 December 2014 and 2013, trade receivables consists of a large number of customers all located in the PRC.

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

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

The Group is exposed to liquidity risk as at 31 December 2014 as the Group had net current liabilities of approximately RMB55,994,000. The Directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations and the details of which are set out in Note 2.

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

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

	At 31 December 2014		At 31 December 2013	
	Within one year or on demand and total contracted discounted cash flow RMB'000	**Carrying amounts RMB'000**	Within one year or on demand and total contracted discounted cash flow RMB'000	Carrying amounts RMB'000
Non-derivative financial liabilities				
Trade and other payables	**20,846**	**20,846**	18,226	18,226
Amount due to a director	**4**	**4**	105	105
Loan from a former minority shareholder	**7,264**	**6,853**	7,274	6,853
Provision for claims	**22,704**	**22,704**	22,704	22,704
	50,818	**50,407**	48,309	47,888

9. FAIR VALUE

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

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

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

10. REVENUE AND OTHER INCOME

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

An analysis of the Group's revenue for the year is as follows:

	2014	2013
	RMB'000	RMB'000
Revenue		
Sales of cards products	**22,931**	23,793
Sales of non-cards products	**2,777**	2,510
	25,708	26,303
Other income		
Interest income	**17**	28
Value-added tax refund	**413**	1,396
Bad debts recovered	**—**	105
Sundry income	**24**	12
	454	1,541
	26,162	27,844

11. SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods sold or services delivered or provided.

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

Card products — design, development and manufacture of IC and magnetic cards

Non-card products — design, development and manufacture of card related equipment and application systems

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

11. SEGMENT INFORMATION (Continued)

(a) Segment revenues and result

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

For the year ended 31 December	Card products 2014 RMB'000	Card products 2013 RMB'000	Non-card products 2014 RMB'000	Non-card products 2013 RMB'000	Eliminations 2014 RMB'000	Eliminations 2013 RMB'000	Total 2014 RMB'000	Total 2013 RMB'000
Segment revenue:								
Sales to external customers	**22,931**	23,793	**2,777**	2,510	**—**	—	**25,708**	26,303
Inter-segment sales	**11,953**	14,752	**—**	—	**(11,953)**	(14,752)	**—**	—
Total	**34,884**	38,545	**2,777**	2,510	**(11,953)**	(14,752)	**25,708**	26,303
Segment results	**(3,944)**	(19,155)	**(189)**	(1,617)	**—**	—	**(4,133)**	(20,772)
Interest income							**17**	28
Unallocated corporate expenses							**(1,492)**	(28,734)
Finance costs							**(480)**	(2,213)
Loss before taxation							**(6,088)**	(51,691)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment results represents the results of each segment without allocation of interest income, central administration costs, directors' remuneration, finance costs, part of provision for claims and income tax expense. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged with reference to market prices.

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

11. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

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

At 31 December	Card products 2014 RMB'000	Card products 2013 RMB'000	Non-card products 2014 RMB'000	Non-card products 2013 RMB'000	Total 2014 RMB'000	Total 2013 RMB'000
Assets						
Segment assets	**8,044**	10,867	**524**	708	**8,568**	11,575
Unallocated assets					**1,659**	2,445
Total assets					**10,227**	14,020
Liabilities						
Segment liabilities	**33,446**	31,610	**1,930**	1,810	**35,376**	33,420
Unallocated liabilities					**30,231**	29,854
Total liabilities					**65,607**	63,274

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

- all assets are allocated to operating segments other than bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all liabilities are allocated to operating segments other than amount due to a director, loan from a former minority shareholder, income tax payable, part of accrued interest and part of provision for claims which is not related to segment. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

11. SEGMENT INFORMATION (Continued)

(c) Other segment information

For the year ended 31 December	Card products		Non-card products		Unallocated		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Amount included in the measure of segment profit or loss or segment assets:								
Additions to non-current assets (Note)	**5**	19	**—**	—	**—**	460	**5**	479
Depreciation for property, plant and equipment	**1,345**	1,511	**69**	55	**—**	—	**1,414**	1,566
Loss on disposal of property, plant and equipment	**—**	—	**—**	—	**—**	198	**—**	198
Impairment loss recognised in respect of trade and other receivables	**248**	15,906	**—**	2,045	**—**	302	**248**	18,253
Allowance on inventories	**—**	3,440	**—**	—	**—**	—	**—**	3,440
Provision for claims	**—**	3,693	**—**	—	**—**	19,011	**—**	22,704

Note: Non-current assets included property, plant and equipment.

(d) Geographical information

For the two years ended 31 December 2014, all of the Group's revenue and assets were derived from customers and operations based in the PRC (country of domicile) and accordingly, no further analysis of the Group's geographical information is disclosed.

(e) Information about major customers

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

	2014	2013
	RMB'000	RMB'000
Customer A	**5,124**	N/A*
Customer B	**4,639**	5,650
Customer C	**N/A***	2,641

* The corresponding revenue do not contribute to over 10% of the total revenue of the Group in the respective year.

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

12. OTHER GAINS AND LOSSES

	2014 RMB'000	2013 RMB'000
Allowance on inventories	—	(3,440)
Impairment loss recognised in respect of trade and other receivables	(248)	(18,253)
Loss on disposal of property, plant and equipment	—	(198)
Others	—	(1)
	(248)	(21,892)

13. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest on borrowings wholly repayable within five years	480	2,213
Interest on trade payables	—	119
	480	2,332

14. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	2014 RMB'000	2013 RMB'000
Staff costs (including directors' emoluments)		
Salaries and other benefits	4,019	4,305
Retirement benefit scheme contribution	469	413
Total staff costs	4,488	4,718
Auditors' remuneration	633	646
Cost of inventories recognised as an expense	21,519	19,292
Depreciation for property, plant and equipment	1,414	1,566
Operating leases rentals in respect of buildings	691	672

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

15. INCOME TAX EXPENSE

	2014 RMB'000	2013 RMB'000
PRC Enterprise Income Tax ("EIT")		
— Current	**34**	12
— Underprovision in prior years	**—**	5
	34	17

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

The Company and its subsidiaries were subject to EIT at rate of 25% (2013: 25%).

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2014 and 2013 as the Group's income neither arise in, nor is derived from Hong Kong.

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

	2014 RMB'000	2013 RMB'000
Loss before taxation	**(6,088)**	(51,691)
Tax at the domestic rate of 25% (2013: 25%)	**(1,522)**	(12,922)
Effect of different tax rates of subsidiaries	**104**	57
Tax effect of income not taxable for tax purpose	**(46)**	(222)
Tax effect of expenses not deductible for tax purpose	**567**	7,915
Tax effect of deductible temporary differences not recognised	**62**	5,348
Underprovision in prior years	**—**	5
Tax effect of unused tax loss not recognised	**903**	23
Utilisation of tax losses previously not recognised	**(34)**	(187)
Income tax expense	**34**	17

At 31 December 2014, the Group has unused tax losses of approximately RMB7,236,000 (2013: RMB6,739,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams. The tax losses will expire after five years from the year of assessment to which they relate.

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

15. INCOME TAX EXPENSE (Continued)

At 31 December 2014, the Group has deductible temporary differences of approximately RMB21,642,000 (2013: RMB21,394,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

16. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of approximately RMB6,002,000 (2013: RMB50,612,000) and the weighted average number of ordinary shares in issue of approximately 520,000,000 shares (2013: 520,000,000) during the year.

The diluted loss per share is the same as the basic loss per share as there were no dilutive potential ordinary shares for the years ended 31 December 2014 and 31 December 2013.

17. DIVIDEND

No dividend was paid, declared or proposed during the year ended 31 December 2014, nor has any dividend been proposed since the end of the reporting period (2013: Nil).

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

	2014 RMB'000	2013 RMB'000
Salaries and other benefits in kind	**3,463**	3,751
Retirement benefit scheme contributions	**453**	395
	3,916	4,146

The employees of the Group are members of the state-managed retirement benefit scheme operated by the relevant local government authorities in the PRC. The Group is required to make monthly contributions to the retirement schemes up to the time of retirement of the eligible employees, at rates ranging from approximately 11% to 20% of the local standard basic salaries. The local government authorities are responsible for the pension liabilities to these retired employees.

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

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

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

The emoluments paid or payable to each of the six (2013: eight) directors, chief executive and supervisors were as follows:

	For the year ended 31 December 2014			
	Fees RMB'000	Other emoluments and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Total emoluments RMB'000
Executive directors				
Li Qi Ming *(Chairman)*	—	268	8	276
Loo Chung Keung, Steve	—	—	—	—
Liu Guo Fei	—	202	8	210
Au-Yeung Ka Cheung (resigned on 14 September 2015)	—	—	—	—
Independent non-executive directors				
Gao Xiang Nong	12	—	—	12
Chen Hong Lei	12	—	—	12
Huang Jinmin (resigned on 1 September 2015)	12	—	—	12
Supervisors				
Li Xiang	—	—	—	—
Liu Wei Qun	—	—	—	—
He Wei Ming	—	50	—	50
	36	520	16	572

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

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

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

	For the year ended 31 December 2013			
	Fees RMB'000	Other emoluments and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Total emoluments RMB'000
Executive directors				
Li Qi Ming *(Chairman)*	—	266	8	274
Loo Chung Keung, Steve (appointed on 15 October 2013)	—	—	—	—
Liu Guo Fei	—	201	8	209
Li Wen Jun (retired on 27 May 2013)	—	5	—	5
Zhu Qing Feng (resigned on 12 October 2013)	—	—	—	—
Au-Yeung Ka Cheung (appointed on 30 August 2013 and resigned on 14 September 2015)	—	—	—	—
Independent non-executive directors				
Gao Xiang Nong	12	—	—	12
Wang Xiao Hong (resigned on 29 August 2013)	8	—	—	8
Chen Hong Lei (appointed on 5 February 2013)	11	—	—	11
Huang Jinmin (appointed on 30 August 2013 and resigned on 1 September 2015)	4	—	—	4
Chief executive officer				
Guo Fan (removed on 28 May 2013)	—	—	—	—
Supervisors				
Li Xiang	—	—	—	—
Liu Wei Qun	—	—	—	—
He Wei Ming	—	47	2	49
	35	519	18	572

No directors, chief executive and supervisors waived or agreed to waive any emoluments during the year ended 31 December 2014 (2013: Nil).

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

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

(b) Senior management's remuneration

Of the five individuals with highest emoluments in the Group, two (2013: two) were directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2013: three) highest paid individuals were as follows:

	2014 **RMB'000**	2013 RMB'000
Salaries and other benefits in kind	**470**	469
Retirement benefit scheme contributions	**23**	21
	493	490

Their emoluments were within the following bands:

	Number of employees	
	2014	2013
Nil to RMB1,000,000	**3**	3

No emoluments have been paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Company, or as compensation for loss of office during the year ended 31 December 2014 (2013: Nil).

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

20. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery RMB'000	Leasehold improvement, furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST				
At 1 January 2013	8,529	5,358	1,539	15,426
Additions	—	479	—	479
Disposals	—	—	(650)	(650)
At 31 December 2013	8,529	5,837	889	15,255
Additions	—	5	—	5
Written off	—	(250)	—	(250)
At 31 December 2014	8,529	5,592	889	15,010
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2013	8,518	2,491	909	11,918
Provided for the year	—	1,421	145	1,566
Eliminated on disposals	—	—	(252)	(252)
At 31 December 2013	8,518	3,912	802	13,232
Provided for the year	—	1,390	24	1,414
Eliminated on written off	—	(250)	—	(250)
At 31 December 2014	8,518	5,052	826	14,396
CARRYING VALUES				
At 31 December 2014	11	540	63	614
At 31 December 2013	11	1,925	87	2,023

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

20. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

21. INVENTORIES

	2014 RMB'000	2013 RMB'000
Finished goods	**196**	248

No allowance on inventories for write-down of slow-moving and obsolete stocks was made for the year (2013: RMB3,440,000) .

22. TRADE AND OTHER RECEIVABLES

	2014 RMB'000	2013 RMB'000
Trade receivables	**20,541**	20,262
Less: Impairment loss recognised	**(18,202)**	(17,954)
	2,339	2,308
Prepayments, deposits and other receivables	**5,721**	7,298
Less: Impairment loss recognised	**(302)**	(302)
	5,419	6,996
	7,758	9,304

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

22. TRADE AND OTHER RECEIVABLES (Continued)

(i) The Group allows an average credit period of 15-180 days (2013: 15–180 days) to its customers. In addition, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted.

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

	2014 **RMB'000**	2013 RMB'000
1 to 90 days	**1,824**	1,821
91 to 180 days	**189**	156
181 to 365 days	**219**	224
Over 365 days	**107**	107
	2,339	2,308

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

			Past due but not impaired		
	Total RMB'000	**Neither past due nor impaired** RMB'000	**Less than 180 days** RMB'000	**181 to 365 days** RMB'000	**More than 365 days** RMB'000
At 31 December 2014	**2,339**	**1,884**	**189**	**159**	**107**
At 31 December 2013	2,308	1,821	156	224	107

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately RMB455,000 (2013: RMB487,000) which were past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered fully recoverable. The Group does not hold any collateral over these balances.

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

22. TRADE AND OTHER RECEIVABLES (Continued)

(iv) Movements in the impairment losses recognised in respect of trade receivables are as follows:

	2014 RMB'000	2013 RMB'000
At the beginning of the year	**17,954**	9,001
Impairment loss for the year	**248**	17,951
Written off as uncollectible	**—**	(8,998)
At the end of the year	**18,202**	17,954

(v) Movements in the impairment losses recognised in respect of other receivables are as follows:

	2014 RMB'000	2013 RMB'000
At the beginning of the year	**302**	344
Written off as uncollectible	**—**	(344)
Recognised for the year	**—**	302
At the end of the year	**302**	302

23. BANK BALANCES AND CASH

For the two years ended 31 December 2014 and 2013, bank balances represented short-term deposits with a maturity of three months or less. The interest rates ranged from 0.001% to 0.35% per annum (2013: 0.001% to 0.35% per annum).

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

	2014 RMB'000	2013 RMB'000
HKD	**—**	7

At 31 December 2014 approximately RMB1,659,000 was denominated in RMB and deposited with banks in the PRC (2013: RMB2,438,000). RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchang RMB for other currencies through authorised banks to conduct foreign exchange business.

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

24. TRADE AND OTHER PAYABLES

	2014 RMB'000	2013 RMB'000
Trade payables	**10,745**	10,574
Accrued expenses and other payables	**10,101**	7,652
Accrued interest	**4,473**	3,993
Value-added tax payable	**10,718**	11,382
	36,037	33,601

(i) The average credit period on purchases of goods is 90–180 days (2013: 90–180 days). The Group has in place financial risk management policies in place to ensure that all payables are settled within the credit time frame.

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

	2014 RMB'000	2013 RMB'000
0–60 days	**3,443**	3,282
61–90 days	**—**	—
91–365 days	**9**	1,033
Over 365 days	**7,293**	6,259
	10,745	10,574

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

	2014 RMB'000	2013 RMB'000
HKD	**2,835**	1,060

25. AMOUNT DUE TO A DIRECTOR

The amount due to Li Qi Ming is unsecured, non-interest bearing and repayable on demand.

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

26. LOAN FROM A FORMER MINORITY SHAREHOLDER

The loan is unsecured, carries interest at the three years base lending rate published by the Industrial and Commercial Bank of China and repayable on demand.

27. LITIGATIONS

(a) Litigation

On 28 December 2010, a legal claim action was taken by Shanghai Fudan Electronic Corporation Limited (上海復旦微電子股份有限公司) ("Shanghai Fudan") against the Company and Sihui Mingwah Aohan High Technology Co., Limited ("Sihui") for the default in payment for the purchase of goods of approximately RMB4,000,000 with accrued interest.

On 21 January 2011, a settlement agreement was issued by Guangdong Provincial Shenzhen City Fu Tian District People's Court (廣東省深圳市福田區人民法院). The Company and Sihui agreed to pay an amount of approximately RMB3,638,000 to Shanghai Fudan on or before 20 July 2011 as a full settlement of debt. However, the amount was not settled by the stipulated date and Shanghai Fudan has further taken legal action for the claim together with accrued interest of approximately RMB119,000 against the Company on 7 February 2012. The overdue amount of approximately RMB3,638,000 and accrued interest of approximately RMB119,000 were included in trade payables and other payables respectively both at 31 December 2014 and 2013.

(b) Provision for claims

	2014 **RMB'000**	2013 RMB'000
At 1 January	**22,704**	—
Claims for the year	**—**	22,704
At 31 December	**22,704**	22,704

(i) Reference is made to the Company's announcement dated 20 January 2014 that the Group received a civil judgement (2012) Shen Zhong Fa Shan Chu Zi No.7 (深中法商初字第7號) ("Judgement") issued by Intermediate People's Court of Shenzhen City Guangdong Province (廣東省深圳市中級人民法院) dated 18 December 2013 for a claim lodged by Gong Ting (龔挺) relating to a disputed debt transfer agreement against the Company, Li Qi Ming (the chairman of the Company), Sihui and Guo Fan (a former chief executive officer of the Company).

According to the summary of the Judgement, (i) the Group shall repay Gong Ting the debt of approximately RMB16,579,000 together with the accrued interest of approximately RMB2,429,000, and (ii) Li Qi Ming has joint responsibility for the repayment of the above said amount for the Company. The Group was not satisfied with the Judgement, and in August 2014, the Group made an appeal to Guangdong Provincial Higher People's Court (廣東省高級人民法院). However, the previous ruling was upheld. Based on legal advice, the Company is preparing to make further appeal to The Supreme People's Court of The People's Republic of China (中華人民共和國最高人民法院). A provision for claim of approximately RMB19,008,000 was made during the year ended 31 December 2013.

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

27. LITIGATIONS (Continued)

(b) Provision for claims (Continued)

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

On 17 June 2014, an arbitral award was issued in favour of Wenzhou Fuguo and pursuant to which the Group shall pay Wenzhou Fuguo for a sum of RMB3,300,000 together with the accrued interest of RMB396,000. A provision for claim of approximately RMB3,696,000 for was made during the year ended 31 December 2013.

28. SHARE CAPITAL

	Number of shares '000	Nominal value Domestic shares '000	H shares HK$'000	Total RMB'000
Registered, issued and fully paid:				
At 1 January 2013 and 31 December 2013 and 2014 (nominal value of RMB0.10 each)	520,000	31,980	20,020	52,000

29. OPERATING LEASE

The Group as lessee

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

At the end of reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of the office premises which fall due are as follows:

	2014 RMB'000	2013 RMB'000
Within one year	**190**	395
In the second to fifth years inclusive	**179**	20
	369	415

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

30. RELATED PARTY AND CONTINUING CONNECTED TRANSACTIONS

(a) In addition to related party balances detailed in the consolidated financial statements and Notes 25, the Group entered into the following transactions with related party during the year, some of which are also deemed to be connected parties pursuant to the Listing Rules:

		Transaction amount		Balance owed	
		2014	2013	**2014**	2013
Name of related party	Nature of transactions	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Shenzhen Mingwah Aohan Smart Card Corporation Ltd. (深圳市明華澳漢智能卡有限公司)	Sales of goods	**137**	128	**1,047**	1,531
	Purchases of goods	**8,020**	3,203		

The directors of the Company considered Shenzhen Mingwah Aohan Smart Card Corporation Ltd. ("Shenzhen Smart Card") is a related party of the Group as Mr. Li Xiang, the supervisor of the Company, has beneficial interest in Shenzhen Smart Card. The transactions are carried out at terms agreed by both parties.

The above balance owed from related party is included in trade and other receivables. The Group has not made any provision for bad and doubtful debts in respect of related party debtor during 2014 or 2013 regarding related party transactions.

(b) Key management compensation

The key management personnel of the Group comprises all the directors of the Company and the five highest paid individuals.

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

31. STATEMENT OF FINANCIAL POSITION INFORMATION OF THE COMPANY

	Notes	2014 RMB'000	2013 RMB'000
Non-current asset			
Property, plant and equipment		**508**	1,884
Investment in subsidiaries	(i)	**1,101**	901
		1,609	2,785
Current assets			
Trade and other receivables		**2,618**	4,285
Bank balances and cash		**151**	112
		2,769	4,397
Current liabilities			
Trade and other payables		**19,151**	18,551
Amount due to a director	(ii)	**365**	555
Amounts due to subsidiaries	(ii)	**4,161**	3,577
Loan from a former minority shareholder		**6,853**	6,853
Provision for claims		**22,704**	22,704
		53,234	52,240
Net current liabilities		**(50,465)**	(47,843)
Net liabilities		**(48,856)**	(45,058)
Capital and reserves			
Share capital		**52,000**	52,000
Reserves	(iii)	**(100,856)**	(97,058)
Capital deficiency		**(48,856)**	(45,058)

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

31. STATEMENT OF FINANCIAL POSITION INFORMATION OF THE COMPANY (Continued)

Notes:

(i) Investments in subsidiaries

	2014 **RMB'000**	2013 RMB'000
Unlisted investments, at cost	**10,459**	10,459
Less: Accumulated impairment	**(9,358)**	(9,558)
	1,101	901

(ii) The amounts are unsecured, interest-free and repayable on demand.

(iii)

	Share premium RMB'000	**Statutory surplus reserve** RMB'000	**Statutory public welfare fund** RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At 1 January 2013	17,574	4,716	2,358	(74,489)	(49,841)
Total comprehensive expenses for the year	—	—	—	(47,217)	(47,217)
At 31 December 2013	17,574	4,716	2,358	(121,706)	(97,058)
Total comprehensive expenses for the year	—	—	—	(3,798)	(3,798)
At 31 December 2014	17,574	4,716	2,358	(125,504)	(100,856)

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

32. SUBSIDIARIES

Details of the Company's subsidiaries established as at 31 December 2014 and 2013 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation/ establishment	Class of shares held	Issued and fully paid registered/ ordinary capital RMB'000	Proportion ownership interest directly held by the Company 2014	2013	Principal activities
Beijing Mingwah Aohan High Technology Co., Ltd.* (北京市明華澳漢科技有限公司)	PRC	Contributed capital	500	**80%**	80%	Design, development and trading of IC cards, magnetic cards, related equipment and application systems
Guangzhou Mingwah Aohan High Technology Co., Ltd.* (廣州市明華澳漢科技有限公司)	PRC	Contributed capital	500	**90%**	90%	Trading in IC cards, magnetic cards, related equipment and application systems
Shenzhen Mingwah Aohan Electronic Equipment Co., Ltd.* (深圳市明華澳漢電子設備有限公司)	PRC	Contributed capital	1,000	**80%**	80%	Inactive
Sihui Mingwah Aohan High Technology Co., Ltd.* (四會市明華澳漢科技有限公司)	PRC	Contributed capital	10,000	**80%**	80%	Inactive
Shenzhen Mingwah Aohan Digital Security Technology Co., Ltd.* (深圳市明華澳漢數據安全科技有限公司)	PRC	Contributed capital	1,000	**80%**	80%	Manufacture of IC cards, magnetic cards and related equipment
Mingwah Aohan Investment Group Limited (明華澳漢投資集團有限公司)	Hong Kong	Ordinary shares	9	**100%**	100%	Provision of administrative support

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

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

* English name is for identification only.

Notes to the Consolidated Financial statements (continued)

For the year ended 31 December 2014

33. CAPITAL COMMITMENT

The Company did not have any significant capital commitment as at 31 December 2014 (2013: Nil).

34. EVENTS AFTER THE REPORTING PERIOD

(i) Subsequent to 31 December 2014, the Group obtained a loan of approximately RMB6,500,000 on an interest free and unsecured basis from Mr. Li Qi Ming, the Chairman of the Company, to fund the engagement of professional firms to provide professional services to the Company in relation to the resumption of trading of the Shares of the Company, details of which are set out in the Company's announcement dated 14 October 2015.

(ii) On 30 October 2015, the Company entered into three separate conditional Subscription Agreements with three Subscribers respectively. Pursuant to the Subscription Agreements, the Subscribers have individually and conditionally agreed to subscribe and the Company has conditionally agreed to allot and issue 280,000,000 Subscription Shares in aggregate to the Subscribers at the Subscription Price of RMB0.30 (equivalent to approximately HK$0.37) per Subscription Share. The Subscription Agreements are not conditional upon each other.

The Subscription Shares will be issued and alloted under a specific mandate to be approved by the Shareholders at the Extraordinary General Meeting and the Class Meetings by a special resolution. The estimated net proceeds of approximately RMB82,320,000 will be mainly used to pay off the Group's debts and finance its working capital. Details of the Subscription Agreements are set out in the Company's announcement dated 10 November 2015.

(iii) On 10 November 2015, the Company entered into a loan facility agreement with Ms. Hou Qian, the new major shareholder, pursuant to which Ms. Hou Qian agreed to grant a revolving loan in the amount of HK$20,000,000 (equivalent to approximately RMB16,400,000) on an interest free and unsecured basis, which could be drawndown by the Company within three years.

Financial Summary

RESULTS

	For the year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**25,708**	26,303	34,408	56,470	99,130
(Loss) profit before tax	**(6,088)**	(51,691)	(9,654)	1,507	2,132
Income tax (expense)/credit	**(34)**	(17)	5,995	(779)	(112)
(Loss) profit for the year	**(6,122)**	(51,708)	(3,659)	728	2,020
Attributable to:					
Owners of the Company	**(6,002)**	(50,612)	(3,796)	1,119	1,416
Non-controlling interests	**(120)**	(1,096)	137	(391)	604
(Loss) profit for the year	**(6,122)**	(51,708)	(3,659)	728	2,020

ASSETS AND LIABILITIES

	At 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**10,227**	14,020	41,686	52,169	85,454
Total liabilities	**(65,607)**	(63,274)	(39,241)	(46,065)	(80,078)
	(55,380)	(49,254)	2,445	6,104	5,376
Attributable to:					
Owners of the Company	**(54,801)**	(48,795)	1,808	5,604	4,485
Non-controlling interests	**(579)**	(459)	637	500	891
(Capital deficiency) total equity	**(55,380)**	(49,254)	2,445	6,104	5,376