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

2016
Annual Report

* For identification purpose only

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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, 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. Liu Guo Fei
Ms. Hou Qian (redesignated on 31 August 2016 as a non-executive director and resigned on 20 September 2016)
Ms. Wang Hong (appointed on 12 August 2016)

Non-Executive Directors

Mr. Zhou Liang Hao (appointed on 4 August 2016)
Mr. Chan Ngai Fan (appointed on 30 September 2016)

Independent Non-Executive Directors

Mr. Gao Xiang Nong
Mr. Chen Hong Lei (resigned on 14 November 2016)
Mr. Yu Xiuyang
Mr. Lau Shu Yan (appointed on 30 September 2016)

Supervisors

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

AUDIT COMMITTEE

Mr. Gao Xiang Nong *(Chairman)*
Mr. Chen Hong Lei (resigned on 14 November 2016)
Mr. Yu Xiuyang

NOMINATION COMMITTEE

Mr. Lau Shu Yan (appointed on 30 September 2016) *(Chairman)*
Mr. Gao Xiang Nong
Mr. Chen Hong Lei (resigned on 14 November 2016)
Mr. Yu Xiuyang

REMUNERATION COMMITTEE

Mr. Gao Xiang Nong *(Chairman)*
Mr. Chen Hong Lei (resigned on 14 November 2016)
Mr. Yu Xiuyang
Mr. Chan Ngai Fan (appointed on 30 September 2016)

CHIEF EXECUTIVE OFFICER

Mr. Liu Guo Fei

COMPANY SECRETARY

Mr. Tam Siu Po

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

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Shangbu Industrial Zone
North Hua Qiang Road
Fu Tian District
Shenzhen, 518028
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3711, Tower Two
Times Square
Causeway Bay
Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M/F., 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 2016.

PERFORMANCE AND REVIEW

For the year ended 31 December 2016, the revenue of the Group amounted to approximately RMB44,246,000 as compared to approximately RMB26,308,000 in the previous year, representing an increase approximately 68.2%. The loss for the year attributable to owners of the Company amounted to approximately RMB17,989,000 (2015: profit of approximately RMB4,039,000).

The Group recorded an increase in revenue in 2016 due to the following reasons:

With the financial support from our major shareholder and proceeds from subscription, the financial position of the Company has been greatly improved. Based on the Company's mature technology as core strength and its long established reputation in the market, the Company believes that its business would soon recover. The Company intends to sustain its customer base in liquor industry, media and entertainment industry, internet finance industry and precision instrument industry. As at 31 December 2016, the Company had already entered into two new contracts for its application system with two new customers, and one new contract for its CPU smart cards with an existing customer, and such fact indicates that the market had gradually restored its confidence in the Company.

As mentioned in the Group's announcement dated 2 November 2016, the Group has commenced its business in the distribution of alcoholic beverage including western wins and Chinese wines (the "Wine Business"). In 2016, the Group has entered into three sales contracts for Chinese white wine Maotaijiu (茅台酒) with three new customers. With only two months operation, the Group's Wine Business made a significant contribution to the Group's revenue accounting to approximately RMB16,707,000, representing approximately 37.8% of the Group's total revenue, and segment profit amounting to approximately RMB859,000, respectively, in 2016.

BUSINESS PROSPECT AND LOOKING FORWARD

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 gradually 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 wide application to internet finance, media and entertainment and precision instrument industries which require high standard of security. Therefore, it was the Group's intention to maintain 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. The Company has developed mature security encryption technology and the Company expects to apply its encryption technology to various areas.

Chairman's Statement (continued)

On the other hand, leveraging on the expertise, experience and resources of its joint venture partner, Googut Wine & Spirits Co, Ltd ("Googut", together with its subsidiaries the "Googut Group"), it is expected that the Wine Business will continue to show healthy growth. In view of the positive development of the Group's Wine Business as mentioned above, the Group looks forward to expanding the operation of this segment with its ongoing collaboration with Googut. The Group will continue to look for opportunities to deepen its partnership with Googut and other operators in the wine industry to strengthen its footprint in this industry.

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

Trading in the shares of the Company was halted from 1 April 2014 to 3 February 2016. As all the resumption conditions prescribed by the Stock Exchange have been fulfilled, trading in the shares of the Company has been resumed since 4 February 2016.

APPRECIATION

On behalf of the Board, I am grateful for the perseverance and resilience of our staff, especially in the difficult time before the resumption of trading in the shares of the Company, 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, 17 March 2017

Management Discussion and Analysis

BUSINESS AND OPERATIONS REVIEW

During the year under review, the Group has been principally engaged in the business of (i) the design, development and sale of IC cards, magnetic cards related equipment and application systems in the People's Republic of China (the "PRC") (the "Card and Related Products Business"); and (ii) the Wine Business.

The Card and Related Products Business

In 2016, with the financial support from our major shareholder and proceeds from subscription, the financial position of the Company has been greatly improved. The Company intends to sustain its customer base of its Card and Related Products Business in media and entertainment industry, internet finance industry and precision instrument industry. As at 31 December 2016, the Company had already entered into two new contracts for its application system with two new customers, and one new contract for its CPU smart cards with an existing customer, which caused a growth in Company's sales.

The Group's business development in this segment 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.

As the Group's general memory card business faced intense price competition, the Group has focused on products such as CPU Card and eKey, the Group's high-end encrypted information security product, has secured a large market share and strengths over its competitiveness in such markets. The Group has developed the COS software and hardware systems relating to identity card security certification. The Company expects that market for CPU smart cards would grow moderately for people who are putting more emphasis on the security of private data. With mature application system for card products, the Company plans to gradually change its business focus from the supply of traditional IC Card products to the supply of CPU smart card products. The Company expects that the mature data encryption technology developed by the Company would have wide application to internet finance industry, media and entertainment industry and precision instrument industry which require high standard of security.

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 was upgraded to meet the changing needs of industrial applications and development of platforms for new chips in 2016. Based on years of accumulation of encryption technology, the Group provides personalized products, research and development and technical support to different corporate customers.

We have sustained the integration of identity card certification systems in which we acted as an agent and fully leveraged the Company's brand and sales network to remain competitive in the market. We will maintain the market position of our 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.

The Wine Business

The directors of the Company (the "Directors") saw the potential for the wine and beverage industry to grow within the PRC and Hong Kong. In the last quarter of the year 2016, the Group has successfully commenced its Wine Business with a view to diversify its income source and enhance its financial performance.

Management Discussion and Analysis (continued)

The Group has acquired a wholly owned subsidiary in October 2016 in preparation for its Wine Business. On 29 December 2016, the Group has entered into two joint venture agreements (the "JV Agreements") with two subsidiaries of Googut for the formation of two joint venture companies in the PRC and Hong Kong, respectively, for furtherance of its Wine Business. The Googut Group is a professional and integrated operator of alcoholic beverage which has well established distribution channel and broad customer base in the PRC. It is expected that the JV Agreements will allow the Group to utilize the expertise, experience and resources of the Googut Group in the distribution of alcoholic beverage.

Since the commencement of the Wine Business, the Group has entered into three sales contracts for Chinese white wine Maotaijiu (茅台酒) with three new customers. With a few months' operation, the Wine Business has made a significant contribution to the Group's revenue accounting for approximately RMB16,707,000, representing approximately 37.8% of the Group's revenue for the year. The Wine Business also brought a segment profit amounting to approximately approximately RMB859,000 to the Group during the year under review.

In view of the positive development of the Group's Wine Business as mentioned above, the Group looks forward to expanding the operation of this segment with its ongoing collaboration with Googut. The Group will continue to look for opportunities to deepen its partnership with Googut and other operators in the wine industry to strengthen its footprint in this industry.

FINANCIAL REVIEW

For the year ended 31 December 2016, the Group recorded a revenue of approximately RMB44,246,000, representing an increase of approximately 68.2% as compared with the revenue of approximately RMB26,308,000 in the previous year. Such increase was mainly due to the financial situation of the Company has been greatly improved because of the financial support from a major shareholder, the Company's mature technology, and the new business plan in targeting the wine and beverage industry, internet finance industry and precision instrument industry.

The gross profit of the Group for the year ended 31 December 2016 amounted to approximately RMB18,097,000, with an increase of approximately 30.3% as compared with the gross profit of approximately RMB13,890,000 in the previous year due to increase in revenue during the year. The percentage of gross profit for the year decreased from 52.8% to 40.9% as compared with last year. The decrease in gross profit margin was mainly attributable to the increase of revenue contributed by sales of liquor products which were with lower profit margin.

Other gains and losses amounted to approximately RMB864,000 (2015: RMB1,162,000) for the year ended 31 December 2016, representing an decrease in gain of approximately RMB298,000 compared with last year. The decrease was primarily attributable to the combined effects of (i) written back of trade and other payable of approximately RMB466,000, and (ii) no settlement of debts (2015:RMB757,000) during the year.

Distribution and selling expenses decreased by approximately 7.2% from approximately RMB1,771,000 to approximately RMB1,643,000 for the year ended 31 December 2016. The decrease was mainly due to the decrease in staff costs.

For the year ended 31 December 2016, the Group's general and administrative expenses increased by approximately 200.7% from approximately RMB10,423,000 to approximately RMB31,343,000 as compared with last year. The increase was mainly due to (i) increase in professional fees, in which certain portion was incurred in the process of application for resumption of trading of the Company's shares in the Stock Exchange, and (ii) increase in staff costs.

The finance cost increased by 690.1% to approximately RMB3,366,000 as compared to approximately RMB426,000 in the previous year, as late payment penalty for settlement was included in the interest charge on the loan from a former minority shareholder.

Management Discussion and Analysis (continued)

During the year, the income tax expense amounted to approximately RMB222,000 (2015: RMB3,000).

For the year ended 31 December 2016, loss attributable to owners of the Company was approximately RMB16,389,000 as compared to a profit of approximately RMB4,039,000 in 2015. The turnaround from profit to loss was mainly attributable to the professional fees for resumption of trading of shares incurred and increase in staff cost in the year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Financial position

At 31 December 2016, the Group had net current assets of approximately RMB490,000 (2015: net current liabilities RMB52,002,000), representing an increase of RMB52,492,000 compared with last year. The improvement was mainly attributable to the increase in trade and other receivables by approximately RMB35,981,000 as a result of growth of business. 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 2016 comprised inventories of approximately RMB349,000 (2015: RMB195,000), trade receivables of approximately RMB27,791,000 (2015: RMB5,228,000), other receivables of approximately RMB16,568,000 (2015: RMB3,150,000) and bank balances and cash of approximately RMB14,613,000 (2015: RMB9,914,000).

Current liabilities as at 31 December 2016 comprised trade and other payables of approximately RMB31,105,000 (2015: RMB32,134,000), amounts due to directors of approximately RMB325,000 (2015: RMB8,795,000), amount due to a former director of approximately RMB4,478,000 (2015: nil), income tax payable of approximately RMB219,000 (2015: RMB3,000) and provision for claims of approximately RMB22,704,000 (2015: RMB22,704,000). The loan from a former minority shareholder of approximately RMB6,853,000 as at 31 December 2015 was fully settled during the year.

Gearing ratio

As the Group had a net cash position at 31 December 2016 and 2015, the Group's gearing ratio as at that dates were not applicable.

Capital commitments

Details of capital commitments were set out in Note 30 to the consolidated financial statements.

Financial resources

At 31 December 2016, the Group had bank balances and cash of approximately RMB14,613,000. 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.

SEGMENTAL INFORMATION

Details of the segment information of the Group are set out in Note 10 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2016, the Group had 57 full time employees, comprising 21 in administration and finance, 18 in research and development and customer services, 16 in sales, 1 in purchase, and 1 in quality control.

The Group recorded an increase in workforce for the year ended 31 December 2016 due to the gradual growth in Card Related Products Business and development in Wine Business.

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

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

CHARGES ON THE GROUP'S ASSETS

At 31 December 2016, there were no assets pledged as collateral for the Group's borrowings (2015: 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 2016.

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 2016 (2015: 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 that the Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 December 2016.

NON-COMPLIANCE WITH THE GEM LISTING RULES

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. An extraordinary general meeting was held on 6 July 2016 to rectify such continuing connected transactions as detailed in the Company's announcement dated 6 July 2016.

Since resignation of Mr. Chen Hong Lei on 14 November 2016, the audit committee of the Company (the "Audit Committee") comprises 2 independent non-executive directors, which constitutes a non-compliance of the requirement for a minimum of 3 members for a audit committee under Chapter 5 of the GEM Listing Rules. The Company is casting about candidate for new members of the Audit Committee and announcement in relation to the appointment of new member will be made in due course.

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 who were holding office as a director on 31 December 2016, 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 eight directors, of whom three are executive directors, two are non-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 24 and 25 of the Annual Report. The participation of non-executive directors in the Board brings independent judgment on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders of the Company have been duly considered.

Corporate Governance Report (continued)

For the year ended 31 December 2016, 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 more than 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 who were holding office as a director on 31 December 2016, 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, Committees and General Meeting during the year ended 31 December 2016:

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 2016 are as follows:

	Number of meetings attended/Number of meetings				
Name of Directors	The Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Directors					
Mr. Li Qi Ming *(Chairman)*	6/6	—	—	—	3/3
Mr. Liu Guo Fei	6/6	—	—	—	3/3
Ms. Hou Qian (redesignated on 31 August 2016 as a non-executive director and resigned on 20 September 2016)	0/4	—	—	—	0/3
Ms. Wang Hong (appointed on 12 August 2016)	2/2	—	—	—	—
Non-Executive Directors					
Mr. Zhou Liang Hao (appointed on 4 August 2016)	1/3	—	—	—	—
Mr. Chan Ngai Fan (appointed on 30 September 2016)	1/1	—	—	—	—
Independent Non-Executive Directors					
Mr. Gao Xiang Nong	6/6	5/5	3/3	4/4	0/3
Mr. Chen Hong Lei (resigned on 14 November 2016)	5/6	4/4	3/3	4/4	0/3
Mr. Yu Xiuyang	6/6	5/5	3/3	4/4	0/3
Mr. Lau Shu Yan (appointed on 30 September 2016)	1/1	—	—	—	—

Corporate Governance Report (continued)

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. In most cases, 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.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All 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 GEM Listing Rules, at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation and that every director shall be subject to retirement by rotation at least once every 3 years.

Corporate Governance Report (continued)

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 who were holding office as a director on 31 December 2016, a summary of training received by the directors since 1 January 2016 up to 31 December 2016 is as follows:

	Reading seminar materials and updates relating to the latest development of the GEM Listing Rules and other applicable regulatory requirements	Attending seminars, programmes, conferences relevant to the business or directors duties
Name of Directors		
Executive Directors		
Mr. Li Qi Ming *(Chairman)*	✓	✓
Mr. Liu Guo Fei	✓	✓
Ms. Wang Hong (appointed on 12 August 2016)	✓	✓
Non-Executive Directors		
Mr. Zhou Liang Hao (appointed on 4 August 2016)	✓	✓
Mr. Chan Ngai Fan (appointed on 30 September 2016)	✓	✓
Independent Non-Executive Directors		
Mr. Gao Xiang Nong	✓	✓
Mr. Yu Xinyang	✓	✓
Mr. Lau Shu Yan (appointed on 30 September 2016)	✓	✓

AUDIT COMMITTEE

The Audit Committee currently comprises 2 independent non-executive directors, Mr. Gao Xiang Nong and Mr. Yu Xiuyang, who have reviewed the financial statements for the year ended 31 December 2016. 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, interim and quarterly 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 auditor.

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 2 independent non-executive directors, Mr. Gao Xiang Nong and Mr. Yu Xiuyang, and 1 non-executive director, Mr. Chan Ngai Fan. 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. Three meetings were held during the year ended 31 December 2016.

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. Lau Shu Yan, Mr. Gao Xiang Nong and Mr. Yu Xiuyang. Mr. Lau Shu Yan 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 card related products, liquor products and/or other professional areas.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The management provides such explanation and information to the Board and reports regularly to the Board on financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information 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 Company does not have an internal audit department, but has engaged an external professional firm to carry out an internal audit to ensure the effectiveness and adequacy of its internal control system. The Board is satisfied that the internal controls of the Group is adequate and effective and it covers all material control areas for the year ended 31 December 2016.

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 Company has put in place adequate financial reporting procedures and internal control systems. Based on information furnished to it and on its own observations, the Board is satisfied with present internal controls of the Group.

Auditor's Remuneration

During the financial year ended 31 December 2016, the fees paid/payable to the Company's auditor is set out as follows:

Services Rendered	**Fees paid/ payable** RMB'000
Audit services	896
Non-audit services	173
Total	1,069

COMPANY SECRETARY

Mr. Tam Siu Po ("Mr. Tam") is the company secretary of the Company currently. The biographical details of Mr. Tam are set out under the section headed "Directors, Supervisor and Senior Management".

According to the Rule 5.15 of the GEM Listing Rules, Mr. Tam have taken not less than 15 hours of relevant professional training during the financial year ended 31 December 2016.

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 2016, 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 2016.

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.

(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 auditor's 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 GEM 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 two 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, 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 is not accepted in due course. 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 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;

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.

The articles of association of the Company was revised according to a special resolution in the general meeting of the Company held on 6 July 2016. Investors can obtain the latest constitutional documents of the Company from the Company's website.

COMMUNICATION WITH SHAREHOLDERS

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

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.

Environmental, Social and Governance Report

Shenzhen Mingwah Aohan High Technology Corporation Limited and its subsidiaries ("the Group") is committed to ethical corporate citizenship and to promoting sustainability in all of its activities. We demonstrate these commitments through transparent and responsible management of our environment and social values. These values respect and are informed by those of all of our stakeholders, including the communities with which we interact. The requirements listed below apply to the Group's operations. Every subsidiary, each manager and employee, as well as any contractor performing work on behalf of the Group must support this policy.

STAKEHOLDER ENGAGEMENT

The Group understands the importance of developing long-term relationships and constant dialogues with various stakeholders. We seek to balance the views and interests of these various constituencies through constructive conversation.

Shareholders/Investors

In 2015, the Group has published its Shareholders Communication Policy (the "Policy") in order to further strengthen dialogue, and expand channels of communication with our shareholders. The Group regularly reviews this Policy to ensure its effectiveness and ensure effective and timely dissemination of relevant information to Shareholders at all times. Shareholders are also encouraged to raise any question to the Company Secretary regarding this Policy.

Customers

Customer feedback is invaluable as the Group operates in extremely competitive markets. There are a number of channels to solicit customer comments and recommendations. An increasing number of our customers are now getting the latest news and information of our products and services through our website (www.mwcard.com) and email communication.

Employees

At 31 December 2016, the Group had 57 full time employees. The Group is committed to providing staff training and development programmes designed to help our employees to enhance their knowledge and skills as well as self-enrichment. These employees who embody the virtue of team spirit are the backbone of our businesses. As the Group continues its expansion, opportunities are always available for loyal employees.

Suppliers and Creditors

The Group is committed to upholding laws and regulations that are relevant to its business and closely monitor the Group's policies relating to maintaining of business ethics.

Government

The Group are principally engaged in the design, development and sale of IC cards, magnetic cards, related equipment and application systems in the PRC, and trading of liquor products in the PRC. These activities are mainly subject to the jurisdictions of laws of the PRC. Along with different government laws, rules and regulations, each operating company makes tremendous effort to ensure that it is complied with the relevant laws and regulations.

Environmental, Social and Governance Report (continued)

ENVIRONMENTAL

Emissions

We recognize the importance of good environmental stewardship and a healthy environment. Therefore, we are dedicated to maintaining our energy consumption and emission at low level in every single step. We strived to enhance operational efficiency and carried out measures to reduce the impact on the environment in order to protect the earth's resources.

The Group does not involve in production of related air, water, land pollutions and hazardous waste. Nonetheless, for the past several years, the Group has been rolling out IT initiatives to help decrease unnecessary wastage and reduce carbon emission. We have actively implemented eco-friendly measures to reduce carbon footprint in our business operations. For instance, video conference and e-training modules have been adopted to minimize the cost of transportation and to reduce carbon emission.

Use of Resources

The Group is committed to protecting the environment by enhancing our operational efficiency and energy efficiency to reduce energy, water, paper and waste by following initiatives:

Paper

- Using E-fax and E-billing to minimize printing needs
- Using E-mail for internal approval to minimize the printing needs
- Using recycled paper and double-sided printing
- Using E-flyer to allow printing on demand basis

Electricity

- Using tube lights to save electricity consumption
- Encouraging staff members to turn off lights and air-conditioners when not needed, especially after office hours

Water

- Posting notices at common areas of the office reminding staff members to reduce water consumption and the importance of water saving

Computer

- Regular maintenance is undertaken to ensure of efficient operation and to extend the life-cycle of the computers

Stationery and Furniture

- Reusing stationery, furniture and equipment among offices instead of buying new one or disposing of such materials

Waste

- Encouraging recycling plastic and paper

Total consumption of water at our principal places of business in the PRC and in Hong Kong was 422 m^3 (cubic meter) in 2016.

Total consumption of electricity at our principal places of business in the PRC and in Hong Kong was 38,539 kWh (kilowatt-hours) in 2016.

Total consumption of paper for printers and copiers at our principal place of business in the PRC and in Hong Kong was 268 kilograms in 2016.

The Environmental and Natural Resources

The Group believes that corporate development should not come at the expense of the environment. Therefore, we adopted environmental friendly practices in various aspects and company events. For example, we use energy saving lighting such as tube lights in office; use air conditioning and light zoning arrangements in the office to reduce unnecessary energy wastage; choose shark-free menu for annual dinner and spring dinner, use recycled paper and double-sided printing.

The Company estimates that around 20% of the paper consumption was saved by double-sided printing in the principal place of business in the PRC and in Hong Kong, which means 259 kilograms greenhouse gas was reduced.

SOCIAL

Employment

The Group adopts fair and open recruitment mechanism with all positions being recruited regardless of age, gender, race, nationality, religion, marital status or disability.

A formal induction together with a tour of the workplace is provided to all employees as soon as possible at the start of employment. This aims to welcome the new employees and give them a better understanding of the Group. A brief of employee handbook is to ensure new employees are aware of relevant policies and code of conduct. Employee handbook together with various guidelines and benefits are uploaded on the Group's intranet for the access of all staff members.

At 31 December 2016, the Group had a total of 57 full time employees. Breakdowns of the current employees by position and gender, age and years of service are set forth below respectively:

Distribution by position & gender

	Senior Management No. of Staff	**Middle Management** No. of Staff	**General** No. of Staff	**Total** No. of Staff
Female	1	1	25	27
Male	7	10	13	30

Environmental, Social and Governance Report (continued)

Distribution by age

	No. of Staff
Below 30	3
Aged 30–50	50
Aged 51 or above	4

Distribution by years of service

	No. of Staff
below 2 years	7
2–4.99 years	3
5–9.99 years	18
10 years or above	29

Health and Safety

The Group strives to promote safety awareness, improve occupational environment and reduce occupational risks. We continuously promote safety awareness among employees and committed to providing a healthy and safe working environment for our employees. The Group has dedicated adequate resources and effort to uphold and improve the Group's safety management measures in order to reduce the risks relating to labour safety, such as: ensuring a healthy and safe workplace and compliance with all relevant workplace health and safety laws, and maintaining various insurance policies for employees' compensation and liability

Work Related Injury

There was no work related injury in 2016.

Development and Training

The Group believes that investing in employees is essential to the future strength and success of its business.

The Group provides continuous professional development training to its directors and senior management to develop and refresh their knowledge and skills. These include workshops and seminars on leadership development, corporate governance practices as well as updates on regulatory developments and requirements.

Total training hours provided by the Company to directors and senior management was around 13 hours in 2016.

Environmental, Social and Governance Report (continued)

The Group encourages communication and interaction of the staff members with the management.

We provide a wide spectrum of informal communication platforms regularly, such as meals with executives, overseas trip with management team, experience sharing between middle and senior management. Through these gatherings, management is alerted to the issues raised by staff members and can carry out responsive measures to improve operations if appropriate. Besides, this enhanced the sense of belongs of staff members.

Furthermore, the following annual gatherings facilitate as communication platforms for the management and staff members:

Annual dinner and sales meeting

Annual dinner is one of the most prestigious events of the year, attended by all staff in the Group. Lots of lucky draws and games make the evening full of energy and excitement. During the dinner, the Group acknowledges the staff members from different positions with good performance and loyalty for awards. We convey the Group's vision and strategy to our staff members. On the other hand, sales meeting facilitates an effective two-way communication and foster an open and positive environment. These two regular gatherings enable us to align the management and all the staff members in the same pace and direction so as to support the Group's development in the coming year.

Chinese new year gathering (spring dinner)

Chinese New Year gathering (spring dinner) provides a chance to appreciate the staff members for the effort during the year.

We believe that happy staff makes happy customers and endeavor to provide happy working environment. We promote the relationship between staff to make them like family members. To promote work life balance, we organized following wellness activities during the year of 2016:

- Sabah trip in March 2016
- Wine tasting in July 2016
- Mid-Autumn Festival lunch gathering

Compensation Package

Along with a competitive salary package, we offer discretionary bonus, different incentive and performance management system to recognize performance. All these measures aim at establishing a fair and reasonable mechanism for managing remuneration and providing performance incentives to boost employee loyalty and cohesiveness.

Labour Standards

The Group believes in nurturing and developing top talents regardless of race, gender, age, religious belief, pregnancy, marital status, family status or disability. The Group has policies to ensure all employees and job applicants enjoy equal opportunities and fair treatment, such as Equal Opportunities Policy & Guideline, Whistle-blowing Policy, Gifts and Entertainment Policy.

All employees have the right to complain in case of discrimination, suspected misconduct and illegal acts via established procedures. The Group will investigate each complaint thoroughly, resolving it fairly and in the strictest confidence. Human Resources Management Policy has been distributed to staff members that provides guidelines for business related gifts and entertainment given or received by the staff members.

Environmental, Social and Governance Report (continued)

Supply Chain Management

The Group has established policies in selecting suppliers, which including interviews with potential suppliers to understand their products and operations. Before engaging a supplier, we search on the potential supplier's background to ensure that it has properly registered with relevant authorities and obtained permits or licences accordingly to applicable laws and regulations.

Product/Service

The Group is committed to providing quality products and services to our customers. To enhance quality, we have experienced sales team, technical team and after-sale supporting team equipped with regular technical training. We regularly review complaint cases so as to improve our products and services and to avoid occurrence of similar case in the future.

To enable us to provide customers with the best experience, understanding their needs is of vital importance, we set up various channels for customers to express their comments and recommendations, such as, hotline, branch offices, and where appropriate, social networking tools.

Anti-corruption

The Group takes its anti-corruption responsibilities very seriously. In addition to the ongoing review of the effectiveness of the internal control systems, the Group has established a whistleblowing policy to direct employees to report to the members of the Audit Committee about possible improprieties in any matter related to the Group.

We value integrity and carried out various measures to uphold our principle of honesty which including:

- Escalating complaints about operational problems and potential corruption to department heads or the management

- Sending an e-mail directly to the Audit Committee in order to report the misconduct which involving illegal practices, fraudulent over the shareholders or suspicious accounting practices of internal accounting supervisions and auditing if such employees, for any reason, considering their situation is inappropriate to report the improper behavior in the Group to their department heads, chief executive or chairman

Community Investment

The Group encourages and promotes volunteerism and encourages our employees to serve their communities in their leisure time or even office hours.

Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Li Qi Ming, aged 57, 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. Liu Guo Fei, aged 42, 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 19 years' management experience in manufacture, investment, marketing sectors . Mr. Liu joined the Company in January 1999 and was appointed as a vice-president of the Company in February 2007 and has been an executive director of the Company since July 2008. He also studied executive financial and capital operation course in Peking University and Tsinghua University for 4 years.

Ms. Wang Hong, aged 49, has over twenty years of import and export trade and marketing experience in grape wine and Chinese rice wine business with extensive people network and resources in the wine and spirits industry. She had served as Deputy General Manager of COFCO Wines & Spirits Company Limited and Vice President of Googut Spirits Company Limited. She graduated with a Master of Arts degree from University of International Business and Economics in 1994.

Non-Executive Directors

Mr. Zhou Liang Hao, aged 41, has rich experience in financial management, corporate governance, supply chain management and high technology areas. Since 2007, Mr. Zhou has been the Chief Financial Officer of Zhong Tian Tai Fu (Beijing) Technology Limited. Before that, he worked in Beijing Guang Gu Technology Limited from 1997 to 2007 and was the Chief Financial Controller in 2007. He graduated with a Bachelor Degree in Thermal Engineering from Beijing University of Technology in 1999.

Mr. Chan Ngai Fan, aged 37, has over 13 years of experience in auditing, accounting and financial management. He has obtained a Master of Corporate Governance degree from the Hong Kong Polytechnic University in 2013. He is a member of the Hong Kong Institute of Certified Public Accountants (Practising). He is currently the financial controller of KPa-BM Holdings Limited, a company listed on the GEM with stock code 8141, where he is responsible for its financial reporting, treasury and financial control matters.

Directors, Supervisors and Senior Management (continued)

Independent Non-Executive Directors

Mr. Gao Xiang Nong, also known as Mr. Gao Xiang Nong, Paul, aged 47 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. Yu Xiuyang, aged 62, 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.

Mr. Lau Shu Yan, aged 35, has over 11 years of auditing and advisory experience in business services. He graduated with a Bachelor of Art degree in Accounting & Financial Analysis from the University of Newcastle in 2004. He is a member of the Hong Kong Institute of Certified Public Accountants (Practising) and a fellow member of the Association of Chartered Certified Accountants. He is currently an independent non-executive director of Union Asia Enterprise Holdings Limited, a company listed on the GEM with stock code 8173. He was an independent non-executive director of TLT Lottotainment Group Limited, a company listed on GEM with stock code 8022, from July 2012 to January 2014.

SUPERVISORS

Mr. Li Xiang, aged 44, 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 61, 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 62, 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 enquiries directed to him by the Stock Exchange.

SENIOR MANAGEMENT

Mr. Tam Siu Po, aged 45, is the financial controller of the Group and also the company secretary of the Company. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He holds a bachelor degree in Business Administration from Lingnan University and has over 16 years of working experience in the field of accounting and financial management for 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 and audited consolidated financial statements for presentation at the forthcoming annual general meeting. We are of the opinion that the directors and other senior management of the Company are able to strictly observe their fiduciary duty, to act diligently, to exercise their authority faithfully in the best interests of the Company and to work in accordance with the Articles of Association 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 2016 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, 17 March 2017

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 2016.

PRINCIPAL ACTIVITIES

The Group are principally engaged in design, development and sale of IC cards, magnetic cards, related equipment and application systems, and trading of liquor products 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 2016 is set out in Note 10 to the consolidated financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the five largest suppliers of the Group accounted for approximately 84% of the Group's purchases. The largest supplier accounted for approximately 33% of the purchases of the Group.

Aggregate turnover attributable to the Group's five largest customers accounted for approximately 61% of the total revenue. The largest customer accounted for approximately 20% 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 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 39.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2016.

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 84. 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 41. The Company has no reserves available for distribution to shareholders as at 31 December 2016 and 31 December 2015.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year are set out in Note 19 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 2016 are set out in Note 26 to the consolidated financial statements.

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. Liu Guo Fei
Ms. Hou Qian (redesignated on 31 August 2016 as a non-executive director and resigned on 20 September 2016)
Ms. Wang Hong (appointed on 12 August 2016)

Non-Executive Directors

Mr. Zhou Liang Hao (appointed on 4 August 2016)
Mr. Chan Ngai Fan (appointed on 30 September 2016)

Independent Non-Executive Directors

Mr. Gao Xiang Nong
Mr. Chen Hong Lei (resigned on 14 November 2016)
Mr. Yu Xiuyang
Mr. Lau Shu Yan (appointed on 30 September 2016)

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 one month's prior written notice. No director or supervisor proposed for the re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DISCLOSURES OF INTEREST

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

As at 31 December 2016, the interests (including interests in shares and short positions) of Directors, supervisors, and chief executives of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in shares of the Company

Name of Director/Supervisor/ Chief Executive	Capacity	Number and class of securities	Approximate percentage of domestic shares	Approximate percentage of total registered share capital
Mr. Li Qi Ming	Beneficial owner	172,640,000 domestic shares	28.78%	21.58%

The Company has been informed by Ms. Hou Qian (who was appointed as an executive director of the Company on 13 October 2015, was re-designated as a non-executive director of the Company on 31 August 2016 and resigned as a non-executive of the Company on 20 September 2016) on 10 May 2016 that she had disposed of 58,240,000 domestic shares of the Company representing approximately 9.71% of the 599,800,000 issued domestic shares of the Company as at the date of this report to an independent third party.

Save as disclosed above, none of the Directors, supervisors and chief executives of the Company had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 of the GEM Listing Rules as at 31 December 2016.

Directors' Report (continued)

2. Substantial Shareholders

So far as the Directors are aware, as at 31 December 2016, 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
Hu Xiao Rui	Beneficial owner	170,000,000 domestic shares	28.34%	21.25%
Zhang Tao	Beneficial owner	110,000,000 domestic shares	18.34%	13.75%
Xu Wen	Beneficial owner	58,240,000 domestic shares	9.71%	7.28%
Shenzhen Gangao Huijin Investment Company Limited	Beneficial owner	33,800,000 domestic shares	5.64%	4.23%
Guo Fan	Beneficial owner	31,460,000 domestic shares	5.25%	3.93%
Princeps MB Asset Management Corp.	Beneficial owner	11,416,000 H shares	5.70%	1.43%

DIRECTORS' AND SUPERVISORS' RIGHT TO ACQUIRE H SHARES

As at 31 December 2016, 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 2016, 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 2016.

RELATED PARTY AND CONTINUING CONNECTED TRANSACTIONS

Details of related party and continuing connected transactions of the Group, are set out in Note 31 to the consolidated financial statements.

The independent non-executive directors have reviewed the connected transactions and continuing connected transactions in Note 31 to the consolidated financial statements and have confirmed that the connected transactions and continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and are in the interests of the shareholders of the Company as a whole.

The auditors of the Company have reviewed the continuing connected transactions during the years as set out in Note 31 to the consolidated financial statements and confirmed that these transactions:

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

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

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

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

PRE-EMPTIVE RIGHTS

According to the Articles 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.

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.

Directors' Report (continued)

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 17 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 2016 were audited by Messrs. KTC Partners CPA Limited. A resolution for the re-appointment of Messrs. KTC Partners CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

By Order of the Board
Li Qi Ming
Chairman

Shenzhen, the PRC, 17 March 2017

Independent Auditor's Report

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

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

OPINION

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 39 to 83, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

Independent Auditor's Report (continued)

KEY AUDIT MATTERS

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

Valuation of trade receivables

Refer to Note 22 to the consolidated financial statements.

Key audit matters	How our audit addressed the key audit matters
We identified the valuation of trade receivables as a key audit matter due to the use of judgment and estimates in assessing the recoverability of trade receivables. In determining the allowance for trade receivables, the management considers the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of the trade receivables. At 31 December 2016, the carrying amount of trade receivables is RMB27,791,000 (net of allowance for doubtful debts of RMB4,669,000). Details of the trade receivables are set out in Note 22 to the consolidated financial statements.	Our procedures in relation to valuation on trade receivables included: • Obtaining an understanding of how allowance for doubtful debts is estimated by the management; • Reviewing the aging analysis of the trade receivables throughout the year to understand the settlement patterns by the customers; • Testing the aging analysis of the trade receivables, on a sample basis, to the source documents; and • Assessing the reasonableness of recoverability of trade receivables with reference to the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of each individual customer.

Revenue recognition

Refer to Note 9 to the consolidated financial statements.

Key audit matters	How our audit addressed the key audit matters
We identified revenue recognition as a key audit matter as revenue is quantitatively significant to the consolidated statement of profit or loss and other comprehensive income and material revenue transactions may occur close to the end of reporting period. Revenue is recognised when the products are delivered and title has passed. The accounting policy for revenue recognition is disclosed in Note 3 to the consolidated financial statements. The Group recognised revenue of RMB44,246,000 for the year ended 31 December 2016, which is disclosed in the consolidated statement of profit or loss and other comprehensive income and Note 9 to the consolidated financial statements.	Our procedures in relation to revenue recognition: • Obtaining an understanding of the revenue business process; • Checking the terms set out in the sales and purchase agreements; and assessing whether the significant risks and rewards of ownership of the products of the revenue recognised have been transferred to the customers by reviewing the relevant documents, including the delivery notices and acknowledgement to receipts, on a sample basis; and • Testing the recognition of material sales transactions close to the end of the reporting period to assess whether those sales transactions were recorded in appropriate accounting period in accordance with the Group's revenue recognition policy.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon ("Other Information").

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

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

Independent Auditor's Report (continued)

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

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

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

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

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Hong Kong
17 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	9	**44,246**	26,308
Cost of sales		**(26,149)**	(12,418)
Gross profit		**18,097**	13,890
Other income	9	**1,192**	1,647
Other gains and losses	11	**864**	1,162
Distribution and selling expenses		**(1,643)**	(1,771)
General and administrative expenses		**(31,343)**	(10,423)
Finance costs	12	**(3,366)**	(426)
(Loss) profit before taxation	13	**(16,199)**	4,079
Income tax expense	14	**(222)**	(3)
(Loss) profit for the year		**(16,421)**	4,076
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**(171)**	(220)
Total comprehensive income for the year		**(16,592)**	3,856
(Loss) profit for the year attributable to:			
Owners of the Company		**(16,389)**	4,039
Non-controlling interests		**(32)**	37
		(16,421)	4,076
Total comprehensive income for the year attributable to:			
Owners of the Company		**(16,560)**	3,819
Non-controlling interests		**(32)**	37
		(16,592)	3,856
(Loss) earnings per share			
Basic and diluted (RMB' cents)	15	**(2.12)**	0.78

Consolidated Statement of Financial Position

At 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	19	**1,252**	478
Intangible assets	20	**12,542**	—
		13,794	478
Current assets			
Inventories	21	**349**	195
Trade and other receivables	22	**44,359**	8,378
Bank balances and cash	23	**14,613**	9,914
		59,321	18,487
Current liabilities			
Trade and other payables	24	**31,105**	32,134
Amounts due to directors	25	**325**	8,795
Amount due to a former director	25	**4,478**	—
Income tax payable		**219**	3
Loan from a former minority shareholder	26	**—**	6,853
Provision for claims	27	**22,704**	22,704
		58,831	70,489
Net current assets (liabilities)		**490**	(52,002)
Net assets (liabilities)		**14,284**	(51,524)
Capital and reserves			
Share capital	28	**80,000**	52,000
Reserves		**(65,142)**	(102,982)
Equity attributable to owners of the Company		**14,858**	(50,982)
Non-controlling interests		**(574)**	(542)
Equity (capital deficiency)		**14,284**	(51,524)

The consolidated financial statements on pages 39 to 83 were approved and authorised for issue by the board of directors on 17 March 2017 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 2016

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (Note (a))	Statutory public welfare fund RMB'000 (Note (b))	Translation reserve RMB'000 (Note (c))	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2015	52,000	17,574	5,954	2,978	5	(133,312)	(54,801)	(579)	(55,380)
Total comprehensive income for the year	—	—	—	—	(220)	4,039	3,819	37	3,856
At 31 December 2015	52,000	17,574	5,954	2,978	(215)	(129,273)	(50,982)	(542)	(51,524)
Issue of shares (Note 28)	28,000	54,400	—	—	—	—	82,400	—	82,400
Total comprehensive income for the year	—	—	—	—	(171)	(16,389)	(16,560)	(32)	(16,592)
At 31 December 2016	**80,000**	**71,974**	**5,954**	**2,978**	**(386)**	**(145,662)**	**14,858**	**(574)**	**14,284**

Notes:

(a) Statutory surplus reserve

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

(b) Statutory public welfare fund

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

(c) Translation reserve

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(16,199)**	4,079
Adjustments for:		
Amortisation of intangible assets	**151**	—
Bank interest income	**(102)**	(13)
Depreciation of property, plant and equipment	**279**	155
Finance costs	**3,366**	426
Impairment loss on trade and other receivables	**—**	300
Gain on settlement of debts	**—**	(757)
Written off of property, plant and equipment	**55**	—
Written back of trade and other payables	**(466)**	—
Operating cash flows before movements in working capital	**(12,916)**	4,190
(Increase) decrease in inventories	**(154)**	1
Increase in trade and other receivables	**(35,968)**	(915)
Increase (decrease) in trade and other payables	**4,161**	(3,669)
Cash used in operations	**(44,877)**	(393)
PRC enterprise income tax paid	**(6)**	(9)
NET CASH USED IN OPERATING ACTIVITIES	**(44,883)**	(402)
INVESTING ACTIVITIES		
Interest received	**102**	13
Purchases of intangible assets	**(12,693)**	—
Purchases of property, plant and equipment	**(1,065)**	(19)
NET CASH USED IN INVESTING ACTIVITIES	**(13,656)**	(6)
FINANCING ACTIVITIES		
Repayment to a former minority shareholder	**(15,000)**	—
Repayment to advance from directors	**(4,347)**	8,490
Proceeds from issue of shares	**82,400**	—
NET CASH GENERATED FROM FINANCING ACTIVITIES	**63,053**	8,490
NET INCREASE IN CASH AND CASH EQUIVALENTS	**4,514**	8,082
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**9,914**	1,659
Effect of foreign exchanges rate changes	**185**	173
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**14,613**	9,914

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

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").

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 sale of IC cards, magnetic cards, related equipment and application systems, and trading of liquor products in the PRC.

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

Standards and amendments effective for the annual period beginning on 1 January 2016 adopted by the Group but have no significant impact on the Group's consolidated financial statements.

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 (Amendment)	Property, Plant and Equipment — Clarification of Acceptable Methods of Depreciation
HKAS 27 (Amendment)	Separate Financial Statements — Equity Method in Separate Financial Statements
HKAS 38 (Amendment)	Intangible Assets — Clarification of Acceptable Methods of Amortisation
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Joint Arrangements — Accounting for Acquisitions of Interest in Joint Operation
HKFRS 14	Regulatory Deferral Accounts

Annual Improvements to HKFRS 2012–2014 Cycle

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

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

New and revised HKFRSs in issue but not yet effective

The following new standards and amendments have been issued but are not yet effective for the year ended 31 December 2016 and which the Group has not early adopted:

HKAS 7 (Amendment)	Disclosure Initiative — Statement of Cash Flows[1]
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions [2]
HKFRS 4 (Amendments)	Insurance Contracts[2]
HKFRS 9	Financial Instruments[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 15 (Amendment)	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

Note:

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after a date to be determined

Apart from the above, a number of annual improvements and minor amendments to HKFRS have also been issued by the HKICPA but they are not yet effective for the accounting period ended 31 December 2016 and have not been adopted in these consolidated financial statements.

HKFRS 9 Financial Instruments

A final version of HKFRS 9 (that includes classification and measurement of financial assets and financial liabilities, impairment and general hedge accounting) was issued in 2014.

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" are subsequently measured at amortised cost or fair value. 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 value at the end of subsequent accounting periods.

- An expected loss model (rather than an incurred loss model) has been adopted by HKFRS 9.

- 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

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

HKFRS 9 Financial Instruments (Continued)

The directors of the Company will assess the impact of the application of HKFRS 9. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 9 until the Group performs a detailed review.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent consideration, as well as licensing application guidance.

The directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

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

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments in Note 29 to the consolidated financial statements. The directors of the Company anticipate that the application of HKFRS 16 in the future will unlikely have a significant impact on the Group's consolidated financial statements.

Other than disclosed above, the directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, 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 and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

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.

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 2016

3. 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) 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) 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.

Intangible assets

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

Property, plant and equipment

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

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

3. 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.

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

Government grants

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs

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

Taxation

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

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

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

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

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

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

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

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised 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 (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (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 2016

3. 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/a former director, 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition (Continued)

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.

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 of tangible and intangible assets other than goodwill

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible and intangible assets other than goodwill (Continued)

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

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

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

Related parties

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

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

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

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

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgments in applying the entity's accounting policies

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

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 judgment 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 2016, the carrying amount of trade receivables was approximately RMB27,791,000 (2015: RMB5,228,000), net of impairment loss of approximately RMB4,669,000 (2015: RMB17,800,000) and other receivables was approximately RMB16,568,000 (2015: RMB3,150,000), net of impairment loss of approximately RMB43,000 (2015: RMB145,000).

Provision for claims

During the current and prior years, the Group had been involved in certain litigations and claims (Note 27). 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 2016 (2015: Nil).

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

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

Key sources of estimation uncertainty (Continued)

Amortisation of intangible assets

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

5. 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, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

Gearing ratio

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

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

	2016 **RMB'000**	2015 RMB'000
Debts (i)	**—**	6,853
Bank balances and cash	**(14,613)**	(9,914)
Net cash	**(14,613)**	(3,061)
Equity (capital deficiency) (ii)	**14,858**	(50,982)
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) Equity and capital deficiency includes all capital and reserves of the Group.

(iii) As the Group had a net cash position at 31 December 2016 and 31 December 2015, the Group's gearing ratio as at that dates were not applicable.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2016 **RMB'000**	2015 RMB'000
Financial assets		
Loans and receivables (including bank balances and cash)	**58,972**	18,292
Financial liabilities at amortised cost	**49,968**	55,659

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, amounts due to directors/a former 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.

	2016 **RMB'000**	2015 RMB'000
Assets	**1,303**	4,086
Liabilities	**5,134**	1,389

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 2016

7. 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 2016, 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 2016 and accumulated losses by approximately RMB Nil (2015: 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 2015.

Credit risk

At 31 December 2016 and 2015, 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 36% (2015: 29%) and 82% (2015: 80%) of the total trade receivables was due from the Group's largest customers and the five largest customers respectively.

At 31 December 2016 and 2015, 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 2016

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

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

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

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

	At 31 December 2016		At 31 December 2015	
	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	**22,461**	**22,461**	17,307	17,307
Amounts due to directors	**325**	**325**	8,795	8,795
Amount due to a former director	**4,478**	**4,478**	—	—
Loan from a former minority shareholder	**—**	**—**	7,179	6,853
Provision for claims	**22,704**	**22,704**	22,704	22,704
	49,968	**49,968**	55,985	55,659

8. 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 2016

9. 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 and other income for the year is as follows:

	2016	2015
	RMB'000	RMB'000
Revenue		
Sales of cards products	**24,483**	23,521
Sales of non-cards products	**3,056**	2,787
Sales of liquor products	**16,707**	—
	44,246	26,308
Other income		
Interest income	**102**	13
Value-added tax refund	**1,082**	1,604
Sundry income	**8**	30
	1,192	1,647
	45,438	27,955

10. SEGMENT INFORMATION

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

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

Card products — design, development and trading of IC and magnetic cards and application systems

Non-card products — design, development and trading of card related equipment

Liquor products — trading of liquor products

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

10. 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 2016 RMB'000	Card products 2015 RMB'000	Non-card products 2016 RMB'000	Non-card products 2015 RMB'000	Liquor products 2016 RMB'000	Liquor products 2015 RMB'000	Eliminations 2016 RMB'000	Eliminations 2015 RMB'000	Total 2016 RMB'000	Total 2015 RMB'000
Segment revenue:										
Sales to external customers	24,483	23,521	3,056	2,787	16,707	–	—	–	44,246	26,308
Inter-segment sales	1,210	4,956	—	–	—	–	(1,210)	(4,956)	—	–
Total	25,693	28,477	3,056	2,787	16,707	–	(1,210)	(4,956)	44,246	26,308
Segment results	6,701	5,847	(39)	252	859	–	—	–	7,521	6,099
Unallocated corporate income									365	46
Unallocated corporate expense									(20,719)	(1,640)
Finance costs									(3,366)	(426)
(Loss) profit before taxation									(16,199)	4,079

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represents the results of each segment without allocation of interest income, sundry income, reversal of impairment loss on other receivables, central administration costs, finance costs and written back of other payables. 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 2016

10. 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 2016 RMB'000	Card products 2015 RMB'000	Non-card products 2016 RMB'000	Non-card products 2015 RMB'000	Liquor products 2016 RMB'000	Liquor products 2015 RMB'000	Total 2016 RMB'000	Total 2015 RMB'000
Assets								
Segment assets	**44,042**	8,483	**3,962**	568	**10,498**	—	**58,502**	9,051
Unallocated assets							**14,613**	9,914
Total assets							**73,115**	18,965
Liabilities								
Segment liabilities	**22,016**	29,382	**2,618**	1,665	**10,383**	—	**35,017**	31,047
Unallocated liabilities							**23,814**	39,442
Total liabilities							**58,831**	70,489

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 amounts due to directors/a former director, loan from a former minority shareholder, part of accrued interest and part of provision for claims which are not related to segment. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

10. SEGMENT INFORMATION (Continued)

(c) Other segment information

	Card products		Non-card products		Liquor products		Unallocated		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
For the year ended 31 December	**RMB'000**	RMB'000	**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)	**12,705**	19	**—**	—	**—**	—	**1,053**	—	**13,758**	19
Amortisation for intangible assets	**151**	—	**—**	—	**—**	—	**—**	—	**151**	—
Depreciation for property, plant and equipment	**141**	143	**6**	12	**—**	—	**132**	—	**279**	155
Reversal of impairment loss on trade and other receivables	**(201)**	(702)	**(68)**	—	**—**	—	**(10)**	(3)	**(279)**	(705)
Impairment loss on trade and other receivables	**—**	300	**—**	—	**—**	—	**—**	—	**—**	300
Gain on settlement of debts	**—**	(757)	**—**	—	**—**	—	**—**	—	**—**	(757)
Bad debts recovered	**(174)**	—	**—**	—	**—**	—	**—**	—	**(174)**	—
Written back of trade and other payables	**—**	—	**(221)**	—	**—**	—	**(245)**	—	**(466)**	—

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

(d) Geographical information

For the two years ended 31 December 2016, 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:

	2016	2015
	RMB'000	RMB'000
Customer A	**8,964**	N/A*
Customer B	**7,821**	6,026
Customer C	**5,231**	N/A*
Customer D	**—**	2,887

* 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 2016

11. OTHER GAINS AND LOSSES

	2016 RMB'000	2015 RMB'000
Bad debts recovered	174	—
Reversal of impairment loss on trade and other receivables	279	705
Impairment loss on trade and other receivables	—	(300)
Gain on settlement of debts	—	757
Written off of property, plant and equipment	(55)	—
Written back of trade and other payables	466	—
	864	1,162

12. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest on borrowings from a former minority shareholder	3,366	426

13. (LOSS) PROFIT BEFORE TAXATION

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

	2016 RMB'000	2015 RMB'000
Staff costs (including directors', chief executive's and supervisors' emoluments)		
Salaries and other benefits	8,566	4,139
Retirement benefit scheme contribution	538	281
Total staff costs	9,104	4,420
Auditors' remuneration	896	793
Cost of inventories recognised as an expense	25,998	12,418
Amortisation of intangible assets (included in cost of sales)	151	—
Depreciation for property, plant and equipment	279	155
Operating leases rentals in respect of buildings	1,910	567

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

14. INCOME TAX EXPENSE

	2016 **RMB'000**	2015 RMB'000
PRC Enterprise Income Tax ("EIT")		
— Current	**220**	3
— Underprovision in previous year	**2**	—
	222	3

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

The Company and its PRC subsidiaries were subject to EIT at rate of 25% (2015: 25%).

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2016 and 2015 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) profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 **RMB'000**	2015 RMB'000
(Loss) profit before taxation	**(16,199)**	4,079
Tax at the domestic rate of 25% (2015: 25%)	**(4,050)**	1,020
Effect of different tax rates of subsidiaries	**510**	119
Tax effect of income not taxable for tax purpose	**(384)**	(368)
Tax effect of expenses not deductible for tax purpose	**4,528**	977
Tax effect of deductible temporary differences not recognised	**(484)**	(483)
Tax effect of unused tax loss not recognised	**112**	96
Utilisation of tax losses previously not recognised	**(5)**	(1,358)
Underprovision in previous year	**2**	—
One-off tax deduction	**(7)**	—
Income tax expense	**222**	3

At 31 December 2016, the Group has unused tax losses of approximately RMB2,510,000 (2015: RMB2,408,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams. The tax losses will expire after five years from the year of assessment to which they relate.

At 31 December 2016, the Group has deductible temporary differences of approximately RMB20,007,000 (2015: RMB21,942,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

15. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on the loss for the year attributable to owners of the Company of approximately RMB16,389,000 (2015: profit of RMB4,039,000) and the weighted average number of ordinary shares in issue of approximately 773,989,071 shares (2015: 520,000,000) during the year.

The diluted (loss) earnings per share is the same as the basic (loss) earnings per share as there were no dilutive potential ordinary shares for the years ended 31 December 2016 and 31 December 2015.

16. DIVIDEND

No dividend was paid, declared or proposed during the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting period (2015: Nil).

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

	2016 **RMB'000**	2015 RMB'000
Salaries and other benefits in kind	**4,905**	2,734
Retirement benefit scheme contributions	**515**	265
	5,420	2,999

Hong Kong

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for its Hong Kong employees. The MPF Scheme is a defined contribution retirement plan administered by independent trustees, Under the MPF scheme, each of the Group companies (the "employer") in Hong Kong and its employees makes monthly contribution to the scheme a 5% of the employee's earning as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employer and employees are subject to a cap of HKD1,500 per month (2015: HKD1,500 per month), a total contribution of approximately RMB48,000 (2015: RMB7,500) was made by the Group in respect of this scheme.

The PRC, other than Hong Kong

As stipulated by rules and regulations in the PRC, the Company and those subsidiaries, which operated in the PRC, are required to contribute to a state-sponsored retirement plan for all its employees. The state-sponsored retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-sponsored retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions, a total contribution of approximately RMB467,000 (2015: RMB257,000) was made by the Group in respect of this scheme.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

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

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

The emoluments paid or payable to each of eleven (2015: nine) directors, chief executive and supervisors were as follows:

	For the year ended 31 December 2016			
	Fees RMB'000	Other emoluments and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Total emoluments RMB'000
Executive directors				
Mr. Li Qi Ming *(Chairman)*	—	936	9	945
Mr. Liu Guo Fei *(Chief Executive Officer)*	—	1,187	8	1,195
Ms. Wang Hong (appointed on 12 August 2016)	—	205	—	205
Ms. Hou Qian (redesignated on 31 August 2016 as a non-executive director)	—	379	—	379
Non-executive directors				
Mr. Zhou Liang Hao (appointed on 4 August 2016)	71	—	—	71
Ms. Hou Qian (redesignated on 31 August 2016 from being an executive director) (resigned on 20 September 2016)	—	—	—	—
Mr. Chan Ngai Fan (appointed on 30 September 2016)	105	—	—	105
Independent non-executive directors				
Mr. Gao Xiang Nong	235	—	—	235
Mr. Chen Hong Lei (resigned on 14 November 2016)	205	—	6	211
Mr. Yu Xiuyang	235	—	—	235
Mr. Lau Shu Yan (appointed on 30 September 2016)	53	—	—	53
Supervisors				
Mr. Li Xiang	—	—	—	—
Ms. Liu Wei Qun	—	—	—	—
Mr. He Wei Ming	—	50	—	50
	904	2,757	23	3,684

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

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

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

	For the year ended 31 December 2015			
	Fees RMB'000	Other emoluments and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Total emoluments RMB'000
Executive directors				
Mr. Li Qi Ming *(Chairman)*	—	469	8	477
Mr. Liu Guo Fei (appointed as Chief Executive Officer on 28 October 2015)	—	404	8	412
Mr. Au-Yeung Ka Cheung (resigned on 14 September 2015)	—	42	—	42
Ms. Hou Qian (appointed on 13 October 2015)	—	200	—	200
Mr. Loo Chung Keung, Steve (resigned on 23 December 2015)	—	—	—	—
Independent non-executive directors				
Mr. Gao Xiang Nong	60	—	—	60
Mr. Chen Hong Lei	60	—	—	60
Mr. Huang Jinmin (resigned on 1 September 2015)	60	—	—	60
Mr. Yu Xiuyang (appointed on 1 September 2015)	60	—	—	60
Supervisors				
Mr. Li Xiang	—	—	—	—
Ms. Liu Wei Qun	—	—	—	—
Mr. He Wei Ming	—	50	—	50
	240	1,165	16	1,421

No directors, chief executive and supervisors waived or agreed to waive any emoluments during the year ended 31 December 2016 (2015: Nil).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

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

(b) Senior management's remuneration

Of the five individuals with highest emoluments in the Group, three (2015: three) were directors of the Company whose emoluments are set out above. The emoluments of the remaining two (2015: two) highest paid individuals were as follows:

	2016 RMB'000	2015 RMB'000
Salaries and other benefits in kind	**975**	385
Retirement benefit scheme contributions	**13**	11
	988	396

Their emoluments were within the following bands:

	Number of employees 2016	2015
Nil to RMB1,000,000	**2**	2

No emoluments have been paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Company, or as compensation for loss of office during the year ended 31 December 2016 (2015: Nil).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

19. 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 2015	8,529	5,592	889	15,010
Additions	—	19	—	19
At 31 December 2015	8,529	5,611	889	15,029
Exchange realignment	—	11	40	51
Additions	—	225	840	1,065
Written off	—	(501)	(692)	(1,193)
At 31 December 2016	8,529	5,346	1,077	14,952
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2015	8,518	5,052	826	14,396
Provided for the year	—	155	—	155
At 31 December 2015	8,518	5,207	826	14,551
Exchange realignment	—	3	5	8
Provided for the year	—	195	84	279
Elimination on written off	—	(501)	(637)	(1,138)
At 31 December 2016	8,518	4,904	278	13,700
CARRYING VALUES				
At 31 December 2016	**11**	**442**	**799**	**1,252**
At 31 December 2015	11	404	63	478

(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%

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

20. INTANGIBLE ASSETS

	Application system RMB'000
COST	
At 1 January and 31 December 2015	—
Additions	12,693
At 31 December 2016	12,693
ACCUMULATED AMORTISATION	
At 1 January and 31 December 2015	—
Provided for the year	151
At 31 December 2016	151
Carrying value	
At 31 December 2016	12,542
At 31 December 2015	—

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

The application system is used for the card products and the amortisation of RMB151,000 is included in the cost of sales in the consolidated statement of profit or loss and other comprehensive income.

21. INVENTORIES

	2016 RMB'000	2015 RMB'000
Finished goods	**349**	195

No allowance on inventories was made for the year (2015: Nil).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

22. TRADE AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	**32,460**	23,028
Less: Impairment loss recognised	**(4,669)**	(17,800)
	27,791	5,228
Prepayments, deposits and other receivables	**16,611**	3,295
Less: Impairment loss recognised	**(43)**	(145)
	16,568	3,150
	44,359	8,378

(i) The Group allows an average credit period of 30–90 days (2015: 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 aging analysis of trade receivables, net of impairment loss recognised, presented based on transaction date is as follows:

	2016 RMB'000	2015 RMB'000
1 to 90 days	**22,914**	3,706
91 to 180 days	**2,147**	932
181 to 365 days	**1,640**	483
Over 365 days	**1,090**	107
	27,791	5,228

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

22. TRADE AND OTHER RECEIVABLES (Continued)

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

	Total RMB'000	Neither past due nor impaired RMB'000	Past due but not impaired Less than 180 days RMB'000	181 to 365 days RMB'000	More than 365 days RMB'000
At 31 December 2016	**27,791**	**22,914**	**2,212**	**1,575**	**1,090**
At 31 December 2015	5,228	3,706	1,310	105	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 RMB4,877,000 (2015: RMB1,522,000) 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.

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

	2016 **RMB'000**	2015 RMB'000
At the beginning of the year	**17,800**	18,202
Impairment loss for the year	**—**	300
Reversal of previously impaired	**(269)**	(702)
Written off as uncollectible	**(12,862)**	—
At the end of the year	**4,669**	17,800

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

	2016 **RMB'000**	2015 RMB'000
At the beginning of the year	**145**	302
Reversal of previously impaired	**(10)**	(3)
Written off as uncollectible	**(92)**	(154)
At the end of the year	**43**	145

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

23. BANK BALANCES AND CASH

For the years ended 31 December 2016 and 2015, 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 (2015: 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:

	2016 **RMB'000**	2015 RMB'000
HKD	**1,015**	4,086

At 31 December 2016 approximately RMB13,598,000 was denominated in RMB and deposited with banks in the PRC (2015: RMB5,828,000). RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

24. TRADE AND OTHER PAYABLES

	2016 **RMB'000**	2015 RMB'000
Trade payables	**17,444**	8,389
Accrued expenses and other payables	**5,017**	8,918
Accrued interest	**—**	4,899
Value-added tax payable	**8,644**	9,928
	31,105	32,134

(i) The average credit period on purchases of goods is 90–180 days (2015: 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

24. TRADE AND OTHER PAYABLES (Continued)

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

	2016 RMB'000	2015 RMB'000
0–60 days	**15,700**	2,100
61–90 days	**10**	44
91–365 days	**—**	—
Over 365 days	**1,734**	6,245
	17,444	8,389

(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:

	2016 RMB'000	2015 RMB'000
HKD	**603**	1,389

25. AMOUNTS DUE TO DIRECTORS/A FORMER DIRECTOR

	2016 RMB'000	2015 RMB'000
Amounts due to directors		
Mr. Li Qi Ming	**251**	4,507
Mr. Liu Guo Fei	**74**	101
Ms. Hou Qian	**—**	4,187
	325	8,795
Amount due to a former director		
Ms. Hou Qian	**4,478**	—

The amounts are unsecured, non-interest bearing and repayable on demand.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

26. LOAN FROM A FORMER MINORITY SHAREHOLDER

The loan was unsecured, carries interest at the three years base lending rate published by the Industrial and Commercial Bank of China. The loan was settled during the year ended 31 December 2016.

27. PROVISION FOR CLAIMS

	RMB'000
At 1 January 2015, 31 December 2015 and 31 December 2016	22,704

(i) Reference is made to the Company's announcement dated 20 January 2014 that the Group received a civil judgment (2012) Shen Zhong Fa Shan Chu Zi No.7 (深中法商初字第 7 號) ("Judgment") 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) (the "Claimant") 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 Judgment, (i) the Group shall repay the Claimant 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 Judgment, 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.

On 17 June 2016, an enforcement of judgment was issued by Intermediate People's Court of Shenzhen City Guangdong Province to enforce the Company and Mr. Li Qi Ming to repay the debt of approximately RMB16,579,000 together with the interest accrued and court fee of approximately RMB179,000. Negotiations are being carried out between the Company and the Claimant, but no settlement was reached up to the date of this report. A provision for claim of approximately RMB19,008,000 was made in prior year and no additional provision was made for the year.

(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 in prior year.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

28. SHARE CAPITAL

	Number of shares	Nominal value Domestic shares	H shares	Total
	'000	RMB'000	RMB'000	RMB'000
Registered, issued and fully paid:				
At 1 January 2015 and 31 December 2015 (nominal value of RMB0.10 each)	520,000	31,980	20,020	52,000
Issue of shares (Note i)	280,000	28,000	—	28,000
At 31 December 2016	800,000	59,980	20,020	80,000

Notes:

(i) On 3 February 2016, the Company completed the Subscription Agreement of 30 October 2015. The estimated net proceeds of approximately RMB82,400,000 from the Subscription would be mainly used to pay off the Group's debts and finance its working capital. Details of the Completion of conditional subscription of new domestic shares are set out in the Company's announcement dated 3 February 2016.

(ii) All shares issued during the year rank pari passu with the existing shares in all respects.

29. OPERATING LEASE

The Group as lessee

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

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

	2016	2015
	RMB'000	RMB'000
Within one year	**1,191**	1,570
In the second to fifth years inclusive	**1,007**	2,071
	2,198	3,641

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

30. CAPITAL COMMITMENT

	2016 RMB'000	2015 RMB'000
Capital contribution to joint ventures	10,000	—
Capital contribution to a subsidiary	3,000	—
	13,000	—

31. RELATED PARTY AND CONTINUING CONNECTED TRANSACTIONS

(a) In addition to related party balances detailed in the consolidated financial statements and Note 25, the Group entered into the following transactions with Shenzhen Mingwah Aohan Smart Card Corporation Ltd ("Shenzhen Smart Card") during the year, some of which are also deemed to be connected parties pursuant to the GEM Listing Rules:

Name of related party	Nature of transactions	Transaction amount 2016 RMB'000	Transaction amount 2015 RMB'000	Balance owed 2016 RMB'000	Balance owed 2015 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	—	1,127	2,061	2,193
	Purchases of goods	201	824		

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

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

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

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 2016 or 2015 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. Details of compensation of directors are included in Note 18.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 RMB'000	2015 RMB'000
Non-current assets		
Property, plant and equipment	**252**	376
Intangible assets	**12,542**	—
Investment in subsidiaries	**1,119**	1,109
	13,913	1,485
Current assets		
Trade and other receivables	**23,710**	4,077
Amount due from a subsidiary	**11,803**	185
Bank balances and cash	**11,498**	5,011
	47,011	9,273
Current liabilities		
Trade and other payables	**10,269**	18,758
Amounts due to directors	**72**	2,027
Amounts due to subsidiaries	**3,137**	4,220
Loan from a former minority shareholder	**—**	6,853
Provision for claims	**22,704**	22,704
	36,182	54,562
Net current assets (liabilities)	**10,829**	(45,289)
Net assets (liabilities)	**24,742**	(43,804)
Capital and reserves		
Share capital	**80,000**	52,000
Reserves	**(55,258)**	(95,804)
Equity (capital deficiency)	**24,742**	(43,804)

The Company's statement of financial position was approved and authorised for issue by the board of directors on 17 March 2017 and are signed on its behalf by:

Mr. Li Qi Ming
Director

Mr. Liu Guo Fei
Director

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

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

Reserves

	Share premium RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2015	17,574	4,716	2,358	(125,504)	(100,856)
Total comprehensive income for the year	—	—	—	5,052	5,052
At 31 December 2015	17,574	4,716	2,358	(120,452)	(95,804)
Issue of shares (Note 28)	54,400	—	—	—	54,400
Total comprehensive income for the year	—	—	—	(13,854)	(13,854)
At 31 December 2016	71,974	4,716	2,358	(134,306)	(55,258)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

33. SUBSIDIARIES

Details of the Company's principal subsidiaries established as at 31 December 2016 and 2015 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation/ establishment	Class of shares held	Issued and fully paid share capital RMB'000	Proportion ownership interest directly held by the Company 2016	2015	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 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%	Trading 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
Fast Key Holdings Limited (快鍵集團有限公司)	Hong Kong	Ordinary shares	8	**100%**	100%	Provision of administrative support
Shanghai Ai Ba Ke Food Limited (上海愛吧客食品有限公司)	PRC	Contributed capital	—#	**100%**	—	Trading of liquor products

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

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

* English name is for identification only.

\# Up to the reporting date, no registered capital of Shanghai Ai Ba Ke Food Limited has been paid up and the Company therefore had an outstanding investment commitment of approximately RMB3,000,000 in the subsidiary as set out in Note 30.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

34. EVENTS AFTER THE REPORTING PERIOD

On 29 December 2016, the Company entered into a joint venture agreement (the "PRC JV Agreement ") with Beijing Googut Wine & Spirits Trading Co, Ltd. ("Beijing Googut"), a wholly owned subsidiary of Googut Wine & Spirits Co, Ltd. ("Googut"), in respect of the formation of a joint venture company in PRC (the "PRC JV Company"). Under the PRC JV Agreement, the parties agreed that, the PRC JV Company shall be established in the PRC, and shall be held as to 60% by Beijing Googut and 40% by the Company. The PRC JV Company shall have a registered capital of RMB12,500,000, which shall be contributed by Beijing Googut and the Company as to RMB7,500,000 in cash and RMB5,000,000 in cash, respectively. The PRC JV Company will be principally engaged in investing in wine industry and trading of wine products in the PRC. As at the date of approval of the consolidated financial statements, the formation of the PRC JV Company has not been completed.

On the same day, Fast Key Holdings Ltd. ("Fast Key"), a wholly owned subsidiary of the Company, entered into the Hong Kong joint venture agreement (the "Hong Kong JV Agreement") with Googut Wine & Spirits Trading Company Limited ("HK Googut"), a wholly owned subsidiary of Googut, in respect of the formation of a joint venture Company in Hong Kong (the "Hong Kong JV Company"). Under the Hong Kong JV Agreement, the parties agreed that, the Hong Kong JV Company shall be incorporated in Hong Kong and shall be held as to 60% by Hong Kong Googut and 40% by Fast Key (or its subsidiary). The Hong Kong JV Company shall have an initial share capital of HK$13,750,000 (equivalent to approximately RMB12,500,000), which shall be contributed by Hong Kong Googut and Fast Key (or its subsidiary) as to HK$8,250,000 (equivalent to approximately RMB7,500,000) in cash and HK$5,500,000 (equivalent to approximately RMB5,000,000) in cash, respectively. The Hong Kong JV Company will be principally engaged in investing in wine industry and trading of wine products in Hong Kong. The Hong Kong JV Company, namely, Googut Mingwah (Hong Kong) Limited, was incorporated in February 2017.

Details of the above are set out in the announcement of the Company dated 29 December 2016.

Financial Summary

RESULTS

	For the year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**44,246**	26,308	25,708	26,303	34,408
(Loss) profit before tax	**(16,199)**	4,079	(6,088)	(51,691)	(9,654)
Income tax (expense) credit	**(222)**	(3)	(34)	(17)	5,995
(Loss) profit for the year	**(16,421)**	4,076	(6,122)	(51,708)	(3,659)
Attributable to:					
Owners of the Company	**(16,389)**	4,039	(6,002)	(50,612)	(3,796)
Non-controlling interests	**(32)**	37	(120)	(1,096)	137
(Loss) profit for the year	**(16,421)**	4,076	(6,122)	(51,708)	(3,659)

ASSETS AND LIABILITIES

	At 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**73,115**	18,965	10,227	14,020	41,686
Total liabilities	**(58,831)**	(70,489)	(65,607)	(63,274)	(39,241)
	14,284	(51,524)	(55,380)	(49,254)	2,445
Attributable to:					
Owners of the Company	**14,858**	(50,982)	(54,801)	(48,795)	1,808
Non-controlling interests	**(574)**	(542)	(579)	(459)	637
Equity (capital deficiency)	**14,284**	(51,524)	(55,380)	(49,254)	2,445