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

2018
Annual Report

* For identification purpose only

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

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This report, for which the directors (the "Directors") of Shenzhen Mingwah Aohan High Technology Corporation Limited (the "Company") 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 (THE "BOARD")

Executive Directors

Mr. Zhang Tao *(Chairman)*
(appointed as chairman of the Board on 11 January 2018)
Ms. Wang Hong
Mr. Huang Qing (appointed on 14 March 2019)
Mr. Liu Guo Fei (resigned on 8 February 2018)

Non-Executive Directors

Mr. Zhou Liang Hao
Mr. Chan Ngai Fan (redesignated on 6 April 2018 as an executive Director and redesignated on 8 January 2019 as a non-executive Director)

Independent Non-Executive Directors

Mr. Gao Xiang Nong (resigned on 3 July 2018)
Mr. Yu Xiuyang
Mr. Lau Shu Yan
Mr. You Xiaohua (appointed on 3 July 2018)

Supervisors

Ms. Zou Liping (appointed on 6 April 2018)
Ms. Ge Deng (appointed on 17 May 2018)
Mr. Zhou Jie (appointed on 17 May 2018)
Mr. Li Xiang (retired on 17 May 2018)
Ms. Liu Wei Qun (retired on 17 May 2018)
Mr. He Wei Ming (retired on 6 April 2018)

AUDIT COMMITTEE

Mr. Lau Shu Yan *(Chairman)*
(appointed as chairman of Audit Committee on 3 July 2018)
Mr. Gao Xiang Nong *(Chairman)* (resigned on 3 July 2018)
Mr. Yu Xiuyang
Mr. You Xiaohua (appointed on 3 July 2018)

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Yu Xiuyang *(Chairman)*
Mr. Lau Shu Yan
Mr. Chan Ngai Fan

CHIEF EXECUTIVE OFFICER

Mr. Zhang Tao (appointed on 8 February 2018)
Mr. Liu Guo Fei (resigned on 8 February 2018)

COMPANY SECRETARY

Ms. Liu Pui Shan

COMPLIANCE OFFICER

Mr. Zhang Tao (appointed on 8 February 2018)
Mr. Liu Guo Fei (resigned on 8 February 2018)

AUTHORIZED REPRESENTATIVES

Ms. Liu Pui Shan
Mr. Zhang Tao (appointed on 8 February 2018)
Mr. Liu Guo Fei (resigned on 8 February 2018)

AUDITOR

KTC Partners CPA Limited

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 2206, Coast Huanqing Mansion
24 Futian Road, Futian District
Shenzhen, 518000
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1102, 11/F.
Tung Lee Industrial Building
9 Lai Yip Street
Kwun Tong, Kowloon
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 Minsheng Bank
Ping An Bank

COMPANY'S WEBSITE

www.mwcard.com

GEM STOCK CODE

8301

Chairman's Statement

For and on behalf of the Board, I hereby present the audited annual results of the Company and its subsidiaries (collectively referred to hereinafter as the "Group") for the year ended 31 December 2018.

PERFORMANCE AND REVIEW

For the year ended 31 December 2018, the revenue of the Group amounted to approximately RMB74,672,000 as compared to approximately RMB119,209,000 in the previous year, representing a decrease of approximately 37.4%. The profit for the year attributable to owners of the Company amounted to approximately RMB759,000 (2017: RMB1,606,000).

The Group recorded a decrease in revenue in 2018 due to the following reasons:

Affected adversely by the market environment and intensified market competition, the revenue from IC cards, magnetic card and related equipment has declined during the year. However, as the application market continued to grow in 2018, the Group has recruited a professional team to provide application development services in the third quarter of 2018. Revenue of approximately RMB11,466,000 attributable to the card and related products business for the year ended 31 December 2018 were mainly derived from three (2017: five) contracts for its application system and two (2017: Nil) contracts for its application development services.

In the last quarter of the year 2016, the Group has successfully commenced its business in the trading of liquor products with a view to diversify its income source and enhance its financial performance. The Group has maintained the operation of this segment during the year ended 31 December 2018. The Group has entered into eight (2017: twelve) sales contracts for Chinese white wine Maotaijiu (茅台酒) during the year ended 31 December 2018. The wine business has continued to make a significant contribution to the Group's revenue accounting for approximately RMB63,206,000, representing approximately 84.6% of the Group's revenue for the year ended 31 December 2018.

BUSINESS PROSPECT AND LOOKING FORWARD

The Group has been principally engaged in the business of (i) the provision of application development services and the sale of IC cards, magnetic cards related equipment and application systems in the People's Republic of China (the "PRC") (the "Card and Related Products Business"); and (ii) trading of liquor products in the PRC (the "Wine Business"). Premised on its mature data encryption technology, the Group expects to maintain its existing operation in relation to application system and plan to explore more opportunities in the information technology sector in the coming year. As the application market continued to grow in 2018, the Group has recruited a professional team to provide application development services in the third quarter of 2018. Going forward, the Group will also further explore business opportunities in the IT and related technology sector.

Chairman's Statement (continued)

In furtherance of its Wine Business, the Group has entered into strategic partnership with Googut Wine & Spirits Co, Ltd* (歌德盈香股份有限公司) ("Googut") and its subsidiaries (collectively, the "Googut Group") towards the end of 2016 to form two joint venture companies (the "Joint Venture Companies") in the PRC and Hong Kong, respectively. 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. To further the cooperation between the Group and the Googut Group, the Company has entered into a memorandum of understanding and the strategic cooperation agreement with Googut on 15 June 2017 and 7 July 2017, respectively. The Group expects to maintain the operation of its Wine Business in the coming year.

The Company and Fulbright Securities Limited (the "Placing Agent") entered into the placing agreement dated 7 July 2017, as amended by the supplemental placing agreements dated 1 August 2017, 29 December 2017 and 20 April 2018, respectively (the "Placing Agreement") in relation to the placing (the "Placing"). The Company and Googut Wine & Spirits Trading Company Limited (the "Subscriber") entered into the subscription agreement dated 7 July 2017, as amended by the supplemental subscription agreements dated 1 August 2017, 29 December 2017 and 20 April 2018, respectively (the "Subscription Agreement"), in relation to the subscription (the "Subscription").

On 26 June 2018, the Company entered into a deed of termination with the Placing Agent to terminate the Placing Agreement (the "Termination of Placing"). As a result of the Termination of Placing, the Company and the Subscriber entered into a deed of termination on 11 July 2018 to terminate the Subscription Agreement. No new H Shares were issued by the Company under the Placing Agreements and Subscription Agreements accordingly. For details of the Placing Agreement and the Subscription Agreement and their respective termination, please refer to the announcements dated 7 July 2017, 1 August 2017, 26 September 2017, 29 December 2017, 5 March 2018, 20 April 2018, 19 June 2018, 26 June 2018 and 11 July 2018, respectively.

In order to fully utilise the financing function in the capital market and optimise the Company's capital structure, the Company made an application on 10 October 2018 to China Securities Regulatory Commission (中國證券監督管理委員會) ("CSRC") for its approval in relation to the proposed issuance (the "Proposed H Share Issuance") of up to 40,040,000 new overseas listed foreign invested shares of nominal value of RMB0.10 per share (the "H Shares", and the H Shares being the subject matter of the Proposed H Share Issuance collectively, the "New H Shares") under the general mandate. The net proceeds from the Proposed H Share Issuance are intended to be used for i) developing the Group's business of electronics technology and/or security services; and ii) general working capital of the Group.

The PRC government now aims to develop its Internet of Things ("IoT") market. Driven by "Made in China 2025" and "Internet + Double-innovation" strategies in recent years, significant progress has been made in the development of IoT. The PRC has set up a batch of key laboratories which pool and integrate innovative resources from various industries and various fields, which basically cover each segment involved in the technological innovations of IoT. The number of IoT patent applications has been increasing year by year. The three basic telecommunications enterprises in the PRC have launched Narrowband-IoT network construction. Nation-wide coverage will be achieved progressively. In 2017, the number of full network base station in the PRC exceeds 400,000. The local governments are also taking part in the Narrowband-IoT development.

Chairman's Statement (continued)

Given the background above, on 24 October 2018, the Company, Ms. Fang Hui, (the "Vendor"), Shanghai Aoyi Electronic Technology Company (the "Target Company") and one of our subsidiaries, Shenzhen Zhifen Technology Corporation Limited (the "Invested Company") entered into the agreement (the "Agreement"), pursuant to which, among other matters, (i) the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to acquire, approximately 14.6% of equity interest in the Target Company at a consideration of RMB10 million (the "Acquisition"), (ii) the Target Company has agreed to contribute additional capital of RMB4.9 million as registered capital to the Invested Company after the completion of the Acquisition, and (iii) the Company has agreed to contribute additional capital of RMB0.1 million as registered capital to the Invested Company after completion of the Acquisition. After completion of the Acquisition, the Company will be interested in approximately 14.6% of equity interest in the Target Company ((ii) and (iii) together the "Capital Contribution"). After the completion of the Capital Contribution, the Invested Company will be owned as to 51.0% by the Company and as to 49.0% by the Target Company. The IoT devices, smart locks and other products produced by the Target Company are in line with the Company's business plan and are expected to increase the Company's revenue, optimise the Company's capital advantage. By building a synergistic relationship, it is expected that the Target Company could assist in the development of the Company's existing business and expand the Company's operation. For details of the Acquisition and the Capital contribution, please refer to the announcement of the Company dated 24 October 2018.

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

APPRECIATION

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

Zhang Tao
Chairman
Shenzhen, the PRC, 15 March 2019

* *For identification purpose only*

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 provision of application development services and the sale of IC cards, magnetic cards related equipment and application systems in the People's Republic of China (the "PRC") (the "Card and Related Products Business"); and (ii) trading of liquor products in the PRC (the "Wine Business").

The Card and Related Products Business

Affected adversely by the market environment and intensified market competition, the revenue from the sales of traditional card products and application system has declined during the year 2018 as compared with the year 2017. However, as the application market continued to grow in 2018, the Group has explored business opportunities in application development services in the second half of 2018.

Revenue of approximately RMB11,466,000 (2017: RMB25,604,000) attributable to the Card and Related Products Business for the year ended 31 December 2018 were mainly derived from three (2017: five) contracts for its application system and two (2017: nil) contracts for its application development services. With its higher profit margin, our Card and Related Products Business made a significant contribution to the Group's profitability for the year ended 31 December 2018, with its segment profit amounted to approximately RMB6,035,000, representing approximately 85.1% of the Group's total segment results for the year.

The PRC government now aims to develop its IoT market. Driven by "Made in China 2025" and "Internet + Double-innovation" strategies in recent years, significant progress has been made in the development of IoT. In view of the aforementioned national development strategy, the Group entered into the Agreement in relation to, among other matters: (i) the Acquisition; and (ii) the Capital Contribution.

The IoT devices, smart locks and other products produced by the Target Company are in line with the Company's business plan and are expected to increase the Company's revenue, optimise the Company's capital advantage. By building a synergistic relationship, it is expected that the Target Company could assist in the development of the Company's existing Card and Related Product Business and expand the Company's operation.

In view of its better profit margin and the national policies in support of the high-tech industry, the Group expect to maintain its Card and Related Product Business and explore more opportunities in the information technology sector in the coming year.

The Wine Business

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.

For furtherance of its Wine Business, the Group has entered into strategic partnership with the Googut Group towards the end of 2016 to form two joint venture companies in the PRC and Hong Kong. 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. Under the joint venture agreements between the Group and the Googut Group, a joint venture company in Hong Kong, namely, Googut Mingwah (Hong Kong) Limited, was incorporated on 8 February 2017 and a joint venture company in the PRC, namely, Shanghai Googut Trading Co. Limited (上海歌漢貿易有限公司), was incorporated on 9 October 2017. To further the cooperation between the Group and the Googut Group, the Company has entered into a memorandum of understanding and the strategic cooperation agreement with Googut on 15 June 2017 and 7 July 2017, respectively.

The Group has maintained the operation of our Wine Business during the year ended 31 December 2018. The Group has entered into eight (2017: twelve) sales contracts for Chinese white wine Maotaijiu (茅台酒) during the year ended 31 December 2018. The Wine Business has continued to make a significant contribution to the Group's revenue accounting for approximately RMB63,206,000, representing approximately 84.6% of the Group's revenue for the year ended 31 December 2018.

FINANCIAL REVIEW

For the year ended 31 December 2018, the Group recorded a revenue of approximately RMB74,672,000, representing a decrease of approximately 37.4% as compared with the revenue of approximately RMB119,209,000 in the previous year. The decrease in revenue was attributable to the decrease in sales of traditional card products, application system and liquor products for the year ended 31 December 2018.

The gross profit of the Group for the year ended 31 December 2018 amounted to approximately RMB12,566,000, with a decrease of approximately 50.7% as compared with the gross profit of approximately RMB25,490,000 in the previous year due to significant decrease in revenue during the year. The gross profit margin for the year ended 31 December 2018 decreased from 21.4% to 16.8% as compared with last year. The decrease in gross profit margin was mainly attributable to the higher revenue portion contributed by sales of liquor products which were with lower profit margin.

Other income, other gains and losses amounted to approximately RMB6,078,000 (2017: RMB3,135,000) for the year ended 31 December 2018, representing an increase of approximately RMB2,943,000 compared with last year. The increase was primarily attributable to the increase in value-added tax refund and written off of trade and other payables during the year ended 31 December 2018.

Distribution and selling expenses increased by approximately 18.6% from approximately RMB1,806,000 to approximately RMB2,142,000 for the year ended 31 December 2018. The increase was mainly due to the increase in staff costs and commission fee.

For the year ended 31 December 2018, the Group's general and administrative expenses decreased by approximately 15.4% from approximately RMB17,917,000 to approximately RMB15,162,000 as compared with last year. The decrease was mainly due to tighter cost control measures implemented by the Group.

For the year ended 31 December 2018, the finance cost decreased by 97.6% to approximately RMB134,000 as compared to approximately RMB5,508,000 in the previous year, as a result that we only recorded interests on borrowings from independent third parties of approximately RMB134,000 and did not record any interest on claims for the year ended 31 December 2018 (2017: we recorded interest on claims in the amount of approximately RMB5,508,000 due to (i) one legal case being fully settled with an additional interest of approximately RMB4,204,000; and (ii) one settlement agreement was made in January 2018 with an additional interest of approximately RMB1,304,000 provided in 2017).

During the year ended 31 December 2018, the income tax expense amounted to approximately RMB182,000 (2017: RMB1,625,000).

In January 2018, the Group entered into an agreement to dispose of its 100% equity interest in Fast Key Holdings Limited ("Fast Key") to former directors for an aggregate consideration of HK$950,000 (equivalent to approximately RMB790,000). In April 2018, the Group entered into an agreement to dispose of its 90% equity interest in Guangzhou Mingwah Aohan High Technology Co., Ltd. to an independent third party for an aggregate consideration of RMB450,000. The disposals were completed during the year ended 31 December 2018, and the net gains on disposal of subsidiaries of RMB485,000 was recognised. (see Note 32)

For the year ended 31 December 2018, the Group's profit attributable to owners of the Company was approximately RMB759,000 (2017: RMB1,606,000). The decrease in profit was mainly attributable the decrease in gross profit during the year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Financial position

At 31 December 2018, the Group had net current liabilities of approximately RMB717,000 (2017: RMB514,000), representing an increase of RMB203,000 compared with last year. The increase was mainly attributable to the increase in other borrowings.

Current assets as at 31 December 2018 comprised inventories of approximately RMB1,446,000 (2017: RMB1,023,000), trade receivables of approximately RMB32,500,000 (2017: RMB77,873,000), other receivables of approximately RMB16,912,000 (2017: RMB7,642,000), contract costs of approximately RMB596,000 (2017: Nil) and bank balances and cash of approximately RMB1,678,000 (2017: RMB8,514,000).

Current liabilities as at 31 December 2018 comprised trade and other payables of approximately RMB43,928,000 (2017: RMB84,013,000), amounts due to former directors of RMBNil (2017: approximately RMB4,947,000), income tax payable of approximately RMB1,429,000 (2017: RMB1,606,000), other borrowings of approximately RMB8,492,000 (2017: Nil) and no provision for claims (2017: RMB5,000,000). The decrease in provision for claims were mainly due to the settlement of a legal claim of approximately RMB5,000,000.

Gearing ratio

The gearing ratio at 31 December 2018 was 63%. As the Group had net cash position 31 December 2017, the Group's gearing ratio as at that date was not applicable.

Capital commitments

Details of capital commitments were set out in Note 35 to the consolidated financial statements.

Financial resources

At 31 December 2018, the Group had bank balances and cash of approximately RMB1,678,000 (2017: RMB8,514,000). 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 31 to the consolidated financial statements.

Disposal and deregistration of subsidiaries

Details of the disposal and deregistration of subsidiaries are set out in Note 32 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 2018, the Group had 34 (2017: 39) full time employees, comprising 9 in administration and finance, 17 in customer services, 6 in sales and 2 in purchase.

The Group recorded a decrease in workforce for the year ended 31 December 2018 due to the disposal and deregistration of its subsidiaries during the year and it will result in a leaner organisation for the Group to maximise its future financial performance.

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

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

CHARGES ON THE GROUP'S ASSETS

At 31 December 2018, there were no assets pledged as collateral for the Group's borrowings (2017: 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 2018.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Operation Risk

Reliance on a limited number of large customers

Sales to the largest customer and top three customers accounted for 53.3% and 78.7% of the Group's turnover for the year ended 31 December 2018 (2017: 23.8% and 60.8%). There is no assurance that the demand for the products of the Group from these customers can be maintained in the future. In the event that the demand from them decreases significantly and the Group is unable to find replacement customers on terms acceptable to the Group, results of operations of the Group may be adversely affected.

Business Risk

Rapid changes in technology

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

Financial Risk

The Group is exposed to a variety of key financial risks including mainly credit risk, details of the key risks and risk mitigation measures are elaborated in Note 7 to the consolidated financial statements.

FOREIGN EXCHANGE EXPOSURE

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

LITIGATIONS

In the year ended 31 December 2018, the Group settled all the legal claims brought against it. As at 31 December 2018, there was no outstanding legal claims against the Group. Details of the litigation are stated in Note 29 to the consolidated financial statements.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2018 (2017: Nil).

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

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

DEVIATION FROM THE CORPORATE GOVERNANCE CODE

After the appointment of Mr. Zhang Tao as the chief executive officer of the Company (the "Chief Executive Officer") on 8 February 2018, he served as both the chairman of the Board (the "Chairman") and the Chief Executive Officer, such practice deviates from code provision A.2.1 of the CG Code. By taking into account the current circumstances of the Group as a whole, the Board considers Mr. Zhang Tao, being a key leadership of the Group, as a suitable candidate to be the Chief Executive Officer, ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board will consider splitting the roles of Chairman and Chief Executive Officer at a time when it is appropriate. Therefore, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance. In addition, under the supervision of the Board which is comprised of three executive Directors, two non-executive Directors and three independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

NON-COMPLIANCE WITH THE GEM LISTING RULES

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 2018.

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 during the year ended 31 December 2018, the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year.

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

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. Details of backgrounds and qualifications of the Chairman and the other Directors are set out on the page 26 and 27 of this 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.

For the year ended 31 December 2018, the Board fulfilled the minimum requirement of having 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 2018, 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 Attendance of Directors and Committee Members

The Directors' attendances of the meetings of the Board, the Audit Committee, the Remuneration Committee, the nomination committee of the Company (the "Nomination Committee") and general meetings in the year ended 31 December 2018 are as follows:

	Number of meetings attended/Number of meetings				
Name of Directors	**The Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meetings**
Executive Directors					
Mr. Zhang Tao *(Chairman)* (appointed as chairman of the Board on 11 January 2018)	4/4	–	–	3/4	2/2
Ms. Wang Hong	4/4	–	–	–	0/2
Mr. Huang Qing (appointed on 14 March 2019)	–	–	–	–	–
Mr. Liu Guo Fei (resigned on 8 February 2018)	–	–	–	–	–
Non-Executive Directors					
Mr. Zhou Liang Hao	4/4	–	–	–	0/2
Mr. Chan Ngai Fan (redesignated on 6 April 2018 as an executive Director and redesignated on 8 January 2019 as a non-executive Director)	4/4	–	6/6	–	2/2
Independent Non-Executive Directors					
Mr. Gao Xiang Nong (resigned on 3 July 2018)	2/2	2/2	–	–	1/2
Mr. Yu Xiuyang	4/4	4/4	6/6	4/4	1/2
Mr. Lau Shu Yan	4/4	4/4	6/6	4/4	0/2
Mr. You Xiaohua (appointed on 3 July 2018)	2/2	2/2	–	–	–

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.

BOARD DIVERSITY POLICY

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

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

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

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 ten 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 three 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 of the Company (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 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 (the "Articles") provide that subject to the manner of retirement by rotation of Directors as from time to time prescribed by the GEM Listing Rules, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years.

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 2018, a summary of training received by the Directors since 1 January 2018 up to 31 December 2018 is as follows:

Name of Directors	Reading seminar materials and updates relating to the latest development of the GEM Listing Rules and other applicable regulatory requirements	Attending seminars, programmes, conferences relevant to the business or directors duties
Executive Directors		
Mr. Zhang Tao *(Chairman)* (appointed as chairman of the Board on 11 January 2018)	✓	✓
Ms. Wang Hong	✓	✓
Non-Executive Directors		
Mr. Zhou Liang Hao	✓	✓
Mr. Chan Ngai Fan (redesignated on 6 April 2018 as an executive Director and redesignated on 8 January 2019 as a non-executive Director)	✓	✓
Independent Non-Executive Directors		
Mr. Yu Xiuyang	✓	✓
Mr. Lau Shu Yan	✓	✓
Mr. You Xiaohua (appointed on 3 July 2018)	✓	✓

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, Mr. Lau Shu Yan, Mr. Yu Xiuyang and Mr. You Xiaohua, who have reviewed the financial statements for the year ended 31 December 2018. Mr. Lau Shu Yan 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.

Our Audit Committee has primary responsibility for monitoring the quality of internal control and risk management system and ensuring that the financial performance of the Company is properly measured and reported on, receiving and reviewing reports from management and the auditors relating to the annual, interim and quarterly accounts, and monitoring the accounting and internal control system and risk management system in use throughout the Group. The 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 and risk management 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 currently comprises two independent non-executive Directors, Mr. Yu Xiuyang and Mr. Lau Shu Yan, and one non-executive Director, Mr. Chan Ngai Fan. Mr. Yu Xiuyang 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.

The roles and functions of the Remuneration Committee include consulting the Chairman 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. six meetings was held during the year ended 31 December 2018. The Remuneration Committee had reviewed and approved the remuneration of executive Directors, non-executive Directors and independent non-executive Directors.

NOMINATION COMMITTEE

The Nomination Committee currently comprises two independent non-executive Directors, Mr. Lau Shu Yan and Mr. Yu Xiuyang, and one executive Director, Mr. Zhang Tao. 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.

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.

DIRECTOR NOMINATION POLICY

Director Nomination Policy of the Group is in place and was updated in the year taking into consideration the revised Listing Rules effective from 1 January 2019. The updated Policy sets out the procedures, process and criteria for identifying and recommending candidates for election to the Board of Directors. In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the card related products, liquor products and/or other professional areas.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

The Directors acknowledge their responsibilities (as set out in the Independent Auditor's Report to this annual report on page 37 to page 40) for preparing the financial statements of the Group that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by auditor about their reporting responsibility is set out in the Independent Auditor's Report to this annual report on page 37 to page 40.

RISK MANAGEMENT AND INTERNAL CONTROL

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

Corporate Governance Report (continued)

Risk Management System

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

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

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

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

Based on the risk assessments conducted in 2018, no significant risk was identified.

Internal Control System

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

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

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

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

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

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

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

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

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

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

- Refer to inside information policy and procedures for more procedures.

Based on the internal control reviews conducted in 2018, no significant control deficiency was identified.

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

INTERNAL AUDIT FUNCTION

The Company does not have an internal audit department. The Company engaged an external professional firm to carry out an internal control review on the internal control system of the Group during the year ended 31 December 2018. The review covers certain business cycles and procedures undertaken by the Group, and make recommendations for improving and strengthening the internal control system.

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

Effectiveness of the Risk Management and Internal Control Systems

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

The Board, through its reviews and the reviews made by Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

Auditor's Remuneration

During the financial year ended 31 December 2018, the fees paid/payable to the Company's auditor is set out as follows:

Services Rendered	Fees paid/ payable RMB'000
Audit services	924
Non-audit services	202
Total	1,126

COMPANY SECRETARY

Ms. Liu Pui Shan ("Ms. Liu") is the current Company Secretary. The biographical details of Ms. Liu are set out under the section headed "Directors, Supervisor and Senior Management" on page 28 of this annual report.

According to the Rule 5.15 of the GEM Listing Rules, Ms. Liu has taken not less than 15 hours of relevant professional training during the financial year ended 31 December 2018.

SUPERVISORY COMMITTEE

As at the date of this annual report, the supervisory committee of the Company (the "Supervisory Committee") comprises three members, namely Ms. Zou Liping (Chairman), Ms. Ge Deng and Mr. Zhou Jie. 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 2018, 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. Two meetings were held during the year ended 31 December 2018.

DIVIDEND POLICY

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

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

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

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

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

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

SHAREHOLDERS' RIGHTS

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 of the Company provides a forum for communication between shareholders and the Board. The notice of the annual general meeting is despatched to all shareholders at least 45 days prior to such annual general meeting. The chairmen of all Board committees are invited to attend the annual general meeting. The Chairman 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 annual general meeting. The auditor is also invited to attend the annual general meeting 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 annual general meeting.

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 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 Supervisory Committee, and the shareholders holding more than three 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.

CONSTITUTIONAL DOCUMENTS

The register address of the Company has been changed to Room 2206, Coast Huanqing Mansion, 24 Futian Road, Futian District, Shenzhen, 518000, the PRC with effect from 16 March 2018. By a special resolution passed by the shareholders at the annual general meeting of the Company held on 17 May 2018, article 1.03 of the Articles of Association was amended to reflect the new registered address of the company.

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 ("ESG")

A separate ESG report will be published by the Company in due course in accordance with the relevant requirement.

Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Zhang Tao, aged 38, has served as an executive Director and the Chairman since 11 April 2017 and 11 January 2018, respectively. He has been appointed as the Chief Executive Officer, an authorised representative of the Company and a compliance officer of the Company since 8 February 2018. He has over 10 years of experience in the management of companies in the information technology industry. Before joining the Company, he worked as the chairman and general manager of Beijing Fengdong Technology Limited, a company specialized in development of software and hardware products. He holds a bachelor degree with major in Media Studies from Massey University in New Zealand. He served as the chief information officer of Fast Key Holdings Limited from July 2016 to June 2017. Since July 2017, he has served as the chief information officer of Mingwah Aohan Investment Group Limited, a subsidiary of the Company, and is responsible for information management and provision of administrative support to the Group.

Ms. Wang Hong, aged 51, is an executive Director appointed on 12 August 2016. She 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.

Mr. Huang Qing, aged 36, is an executive Director appointed on 14 March 2019. He graduated from Shanghai Lixin Higher College of Accounting* (上海立信會計高等專科學院) (now known as Shanghai Lixin University of Accounting and Finance* (上海立信會計金融學院)) in 2003. He has over 15 years of experience in product and sales management in the information technology industry. Before joining the Company, he served as the chairman of Shanghai Qushuo Technology Co., Ltd.* (上海趣爍科技有限公司) from March 2017 to February 2019. He has also been appointed as a director of Mingwah Aohan Investment Group Limited (the "Mingwah Aohan Investment"), being a wholly owned subsidiary of the Company, with effect from 14 March 2019.

Non-Executive Directors

Mr. Zhou Liang Hao, aged 43, is a non-executive Director appointed on 4 August 2016. He has rich experience in financial management, corporate governance, supply chain management and high technology areas. Since 2007, he has been the chief financial officer of Zhong Tian Tai Fu (Beijing) Technology Limited. Before that, he worked in Beijing Guang Gu Technology Limited from 1997 to 2007 and was the chief financial controller in 2007. He graduated in Thermal Engineering from Beijing University of Technology in 1997.

Mr. Chan Ngai Fan, aged 39, is a non-executive Director appointed on 30 September 2016. He was redesignated as an executive Director and the chief financial officer of the Company ("CFO") on 6 April 2018 and redesignated as a non-executive Director and ceased to be the CFO on 8 January 2019. He has over 15 years of experience in auditing, accounting and financial management. He has obtained a bachelor of arts in accountancy and a master of corporate governance from the Hong Kong Polytechnic University in December 2007 and October 2013 respectively, and is a member of the Hong Kong Institute of Certified Public Accountants (Practising). From May 2015 to April 2018, he was the financial controller of KPa-BM Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited with stock code 2663, where he is responsible for its financial reporting, treasury and financial control matters. From August 2017 to September 2018, he was an independent non-executive director of Sino Vision Worldwide Holdings Limited (formerly known as "DX.com Holdings Limited") ("Sino Vision"), a company listed on the GEM with stock code 8086. He is currently the company secretary of Sino Vision since January 2019.

Independent Non-Executive Directors

Mr. Yu Xiuyang, aged 64, is an independent non-executive Director appointed on 1 September 2015. He graduated from the Faculty of Law at Shanghai University in 1998, and worked as the member of the Legal Publicity Division of Shanghai Bureau of Justice, the head of the research department of the Shanghai Law Society and the associate editor of Shanghai Journal of Legal Studies in 1997. In 2003, he founded Sunglow Elite Law Firm and serves as the head of the firm. He was the executive director and vice president of Glorious Property Holdings Limited, a company listed on the Stock Exchange, from February 2009 to April 2014, and he retired in June 2014. He currently serves as the head of Sunglow Elite Law Firm. He is currently an executive Director of Season Pacific Holdings Limited (Stock code: 1709).

Mr. Lau Shu Yan, aged 37, is an independent non-executive Director appointed on 30 September 2016. He has over 12 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 (stock code: 8173), Daohe Global Group Limited (stock code: 0915) and Perfectech International Holdings Limited (stock code: 0765), the securities of these companies are listed on the Stock Exchange. He was an independent non-executive director of Evershine Group Holdings Limited (formerly known as "TLT Lottotainment Group Limited"), a company listed on the GEM with stock code 8022, from July 2012 to January 2014.

Mr. You Xiaohua, aged 40, is an independent non-executive Director appointed on 3 July 2018. He obtained a bachelor of law from Changzhou University (常州大學) (formerly known as "Jiangsu Institute of Petrochemical Technology (江蘇石油化工學院)") on July 2002. From December 2016 to June 2018, he worked as the general manager and the secretary of the board of directors of Beijing Golong Technology Development Co., Ltd (北京國農基業科技發展股份有限公司) ("Beijing Golong") which is a company listed on National Equities Exchange and Quotations (stock code: 832425). From July 2002 to September 2015, he worked as the deputy director of the legal department of Sinopec Sales Company Limited (中國石化銷售有限公司). He is currently a director of Beijing Golong since December 2016.

SUPERVISORS

Ms. Zou Liping, aged 29, obtained her college diploma of accounting from Fujian Normal University on July 2016. She joined the Company in March 2018 as an assistant accountant. Before she joined the Company, she has over five years of experience in accounting. From July 2008 to October 2011, she worked in a manufacturing and trading of shoe soles company with her last position as an assistant accountant. From November 2011 to September 2015, she worked as an accountant in a mining company. She has obtained the certificate of accounting profession since January 2010.

Ms. Ge Deng, aged 25, obtained a bachelor of finance from College of Science & Arts of Jianghan University (江漢大學文理學院) on July 2016. From July 2015 to January 2017, she worked as a government project application officer in Shenzhen Jin Kong Holdings Technology Limited* (深圳金控控股科技有限公司), and from February 2017 to February 2018, she worked as a project specialist in SunWin (HuBei) Electro – Technology Co., Ltd (湖北三贏興電子科技有限公司). She is currently an intellectual property specialist in marketing department of Shenzhen Yong Jia Tian Cheng Technology Development Limited* (深圳市永佳天成科技發展有限公司) since March 2018.

Mr. Zhou Jie, aged 27, obtained a college diploma in computer applications technology from Hubei Xianning Vocational Technical College (湖北咸寧職業技術學院) on June 2013. From March 2014 to January 2017, he worked as a network maintenance officer in Shenzhen Everwin Precision Technology Co, Ltd. (深圳市長盈精密技術股份有限公司). He is currently an IT staff in Nitto Denko Fine Circuit Technology (Shenzhen) Co., Ltd. (日東精密回路技術深圳有限公司) since September 2017.

COMPLIANCE OFFICER

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

SENIOR MANAGEMENT

Ms. Liu Pui Shan, aged 31, is the financial controller of the Group and also the Company Secretary. She is a member of the Hong Kong Institute of Certified Public Accountants. She holds a bachelor degree in Business Administration (Professional Accountancy) from Hong Kong Baptist University and has over 6 years of experience in audit and assurance field. She is currently an independent non-executive director of Sino Vision, a company listed on the GEM with stock code 8086.

Report of Supervisory Committee

To the Shareholders,

The Supervisory Committee of the Company, in compliance with the relevant laws and regulations and the Articles, 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, 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. 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. The Supervisory Committee is satisfied with the achievement and cost-effectiveness of the Company in 2018 and has great confidence in the future of the Company.

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

Ms. Zou Liping
Shenzhen, the PRC, 15 March 2019

Directors' Report

The Board have pleasure in presenting their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group are principally engaged in (i) the Card and Related Products Business; and (ii) the Wine Business. A detailed business review for the year, including further discussions of important events occurred since the end of the financial year, likely future development of the Group's business and financial performance review with financial key performance indicators, are set out in "Chairman's Statement" on page 3 to 5, "Management Discussion and Analysis" on page 6 to 11, respectively. These discussions form part of this report of the Directors. The ESG under Environmental, Social and Governance Reporting Guide as specified in Appendix 20 of the GEM Listing Rules will be published in a separate report. To build a solid foundation for the Group's sustainable development, the Group recognise its employees, customers and business partners being the key stakeholders and maintain a continuous dialogue with them. The Group is dedicated to establish a close and supporting relationship with its employees, provide quality products and services to customers and strengthen all kinds of cooperation with its business partners.

PRINCIPAL RISKS AND UNCERTAINTIES

Details of principal risks and uncertainties of the Group are set out in "Management Discussion and Analysis" on page 6 to 11.

SEGMENTAL INFORMATION

An analysis of the Group's revenue and results by products for the year ended 31 December 2018 is set out in Note 10 to the consolidated financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the largest supplier accounted for approximately 51% of the purchases of the Group.

The largest customer accounted for approximately 53% 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 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 41 of this annual report.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2018 (2017: nil).

FIVE YEARS' FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 102 of this annual report. This summary does not form part of the audited consolidated financial statements.

RESERVES

Movements in the reserves of the Group during the year are set out in consolidated statement of changes in equity on page 43 of this annual report. The Company has no reserves available for distribution to shareholders as at 31 December 2018 and 31 December 2017.

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 31 to the consolidated financial statements.

BORROWINGS

Details of borrowings of the Group are set out in Note 28 to the consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

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

DIRECTORS AND SUPERVISORS

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

Executive Directors

Mr. Zhang Tao *(Chairman)* (appointed as chairman of the Board on 11 January 2018)
Ms. Wang Hong
Mr. Huang Qing (appointed on 14 March 2019)
Mr. Liu Guo Fei (resigned on 8 February 2018)

Non-Executive Directors

Mr. Zhou Liang Hao
Mr. Chan Ngai Fan (redesignated on 6 April 2018 as an executive Director and redesignated on 8 January 2019 as a non-executive Director)

Independent Non-Executive Directors

Mr. Gao Xiang Nong (resigned on 3 July 2018)
Mr. Yu Xiuyang
Mr. Lau Shu Yan
Mr. You Xiaohua (appointed on 3 July 2018)

Supervisors

Ms. Zou Liping (appointed on 6 April 2018)
Ms. Ge Deng (appointed on 17 May 2018)
Mr. Zhou Jie (appointed on 17 May 2018)
Mr. Li Xiang (retired on 17 May 2018)
Ms. Liu Wei Qun (retired on 17 May 2018)
Mr. He Wei Ming (retired on 6 April 2018)

In accordance with the provisions of the Articles, the Directors and supervisors are elected at a shareholders' meeting of the Company for a term of three years, renewable upon re-election at re-appointment. Pursuant to article 10.2 of the Articles, at each annual general meeting, one-third of the Directors (if the number of Directors is not three or multiples of three, the number shall be the closest to, but no less than, one third) for the time being shall retire from office by rotation. Pursuant to code provision A4.2 of Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Accordingly, Mr. Huang Qing and Mr. Lau Shu Yan will retire by rotation as Directors at the annual general meeting to be held on 17 May 2019 (the "AGM"), Mr. Huang Qing and Mr. Lau Shu Yan being eligible, offer themselves for re-election at the AGM. Ms. Ge Deng, being the current supervisors of the Company, will retire at the AGM and not seek for re-election for personal reasons.

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 2018, 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.

2. Substantial Shareholders

So far as the Directors are aware, as at 31 December 2018, 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
Shanghai Beiyan Enterprises Limited* (上海北燕實業有限公司) ("Shanghai Beiyan") (Note 1)	Beneficial owner	172,640,000 domestic shares	28.78%	21.58%
Mr. Zheng Qi (鄭琪) (Note 2)	Interest in controlled corporation	172,640,000 domestic shares	28.78%	21.58%
Hu Xiao Rui	Beneficial owner	170,000,000 domestic shares	28.34%	21.25%
Zhang Nan	Beneficial owner	110,000,000 domestic shares	18.34%	13.75%

Directors' Report (continued)

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
Zhuoyu Hengtai (Beijing) Safety Equipment Company Limited	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%

Notes:

1. The Company has been informed by Mr. Li Qi Ming (a former Director) on 4 January 2018 that he has completed the sale of 172,640,000 domestic shares of the Company representing approximately 28.78% of the 599,800,000 domestic shares of the Company in issue as at the date of this report to Shanghai Beiyan, an independent third party. Details of the above are set out in the announcement of the Company dated 4 January 2018.

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

DIRECTORS' AND SUPERVISORS' RIGHT TO ACQUIRE H SHARES

As at 31 December 2018, 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 2018, none of the Directors, supervisors and chief executives of the Company had any rights to acquire H shares in the Company.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director or a supervisor of the Company had a material interest, whether directly or indirectly, subsisted as at 31 December 2018 at any time during the year.

SHARE OPTION SCHEME

The Company has not granted or issued any option up to 31 December 2018.

RELATED PARTY AND CONTINUING CONNECTED TRANSACTIONS

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

The independent non-executive Directors have reviewed the connected transactions and continuing connected transactions in Note 36 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 36 to the consolidated financial statements and confirmed that these transactions:

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

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

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

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

EVENTS AFTER THE REPORTING PERIOD

There is no material event undertaken by the Company or the Group subsequent to 31 December 2018 and up to the date of this annual report.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the "Corporate Governance Report" on page 12 to 25 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 2018 were audited by Messrs. KTC Partners CPA Limited. A resolution for the re-appointment of Messrs. KTC Partners CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

By Order of the Board
Zhang Tao
Chairman

Shenzhen, the PRC, 15 March 2019

Independent Auditor's Report

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

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

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 41 to 101, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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.

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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.

Provision for expected credit losses ("ECL") of trade receivables

Refer to Notes 7 and 23 to the consolidated financial statements.

Key audit matters	How our audit addressed the key audit matters
ECL for trade receivables are based on management's estimate of the lifetime ECL to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgment. We have identified ECL assessment of trade receivables as a key audit matter because the assessing ECL of trade receivables is a subjective area as it requires the management's judgment and uses of estimates.	Our procedures in relation to management's ECL assessment on trade receivables included: • reviewing and assessing the application of the Group's policy for calculating the ECL; • evaluation techniques and methodology in the ECL model against the requirements of HKFRS 9; • assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowances; • evaluating the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and estimation of ECL; and • checking, on a sample basis, the ageing profile of the trade receivables as at 31 December 2018 to the underlying financial records and post year-end settlement to bank receipts.

Independent Auditor's Report (continued)

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.

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.

Independent Auditor's Report (continued)

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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor's report.

KTC Partners CPA Limited
Certified Public Accountants (Practising)
Kwok Chi Kwong
Audit Engagement Director
Practising Certificate Number: P01911

Hong Kong
15 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	9	**74,672**	119,209
Cost of sales		**(62,106)**	(93,719)
Gross profit		**12,566**	25,490
Other income	9	**3,391**	2,776
Other gains and losses	11	**2,687**	359
Distribution and selling expenses		**(2,142)**	(1,806)
General and administrative expenses		**(15,162)**	(17,917)
Finance costs	12	**(134)**	(5,508)
Share of loss of joint ventures		**(12)**	(13)
Profit before taxation	13	**1,194**	3,381
Income tax expense	14	**(182)**	(1,625)
Profit for the year		**1,012**	1,756
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**(546)**	(106)
Total comprehensive income for the year		**466**	1,650
Profit for the year attributable to:			
Owners of the Company		**759**	1,606
Non-controlling interests		**253**	150
		1,012	1,756
Total comprehensive income for the year attributable to:			
Owners of the Company		**213**	1,500
Non-controlling interests		**253**	150
		466	1,650
Earnings per share			
Basic and diluted (RMB' cents)	15	**0.09**	0.20

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	19	**535**	1,250
Intangible assets	20	**8,915**	10,729
Interests in joint ventures	21	**4,975**	4,987
Deposits	23	**7,000**	–
		21,425	16,966
Current assets			
Inventories	22	**1,446**	1,023
Trade and other receivables	23	**49,412**	85,515
Contract costs	24	**596**	–
Bank balances and cash	25	**1,678**	8,514
		53,132	95,052
Current liabilities			
Trade and other payables	26	**43,928**	84,013
Amounts due to former directors	27	**–**	4,947
Income tax payable		**1,429**	1,606
Other borrowings	28	**8,492**	–
Provision for claims	29	**–**	5,000
		53,849	95,566
Net current liabilities		**(717)**	(514)
Total assets less current liabilities		**20,708**	16,452
Non-current liabilities			
Amount due to a major shareholder	30	**3,649**	–
Net assets		**17,059**	16,452
Capital and reserves			
Share capital	31	**80,000**	80,000
Reserves		**(63,288)**	(63,642)
Equity attributable to owners of the Company		**16,712**	16,358
Non-controlling interests		**347**	94
Equity		**17,059**	16,452

The consolidated financial statements on pages 41 to 101 were approved and authorised for issue by the board of directors on 15 March 2019 and are signed on its behalf by:

Mr. Zhang Tao
Director

Ms. Wang Hong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	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 2017	80,000	71,974	5,954	2,978	(386)	(145,662)	14,858	(574)	14,284
Disposal of subsidiaries (Note 32)	–	–	–	–	–	–	–	518	518
Total comprehensive income for the year	–	–	–	–	(106)	1,606	1,500	150	1,650
At 31 December 2017	80,000	71,974	5,954	2,978	(492)	(144,056)	16,358	94	16,452
Disposal of subsidiaries (Note 32)	–	–	–	–	141	–	141	19	160
Deregistration of subsidiaries (Note 32)	–	–	(914)	(567)	–	1,481	–	(19)	(19)
Total comprehensive income for the year	–	–	–	–	(546)	759	213	253	466
At 31 December 2018	**80,000**	**71,974**	**5,040**	**2,411**	**(897)**	**(141,816)**	**16,712**	**347**	**17,059**

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 2018

	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**1,194**	3,381
Adjustments for:		
Amortisation of intangible assets	**1,814**	1,813
Bank interest income	**(4)**	(20)
Depreciation of property, plant and equipment	**144**	420
Finance costs	**134**	5,508
Net gain on disposal of subsidiaries	**(485)**	(2,472)
Loss on deregistration of subsidiaries	**70**	–
Impairment loss on trade and other receivables	**–**	2,253
Reversal of impairment loss on trade and other receivables	**–**	(236)
Waiver of other payables	**(90)**	(1,500)
Written off of property, plant and equipment	**135**	–
Share of loss of joint ventures	**12**	13
Loss on disposal of property, plant and equipment	**–**	96
Written off of trade and other payables	**(2,407)**	–
Operating cash flows before movements in working capital	**517**	9,256
Increase in inventories	**(508)**	(739)
Increase in contract costs	**(596)**	–
Decrease/(increase) in trade and other receivables	**35,106**	(45,464)
(Decrease)/increase in trade and other payables	**(36,413)**	59,666
Cash (used in)/generated from operations	**(1,894)**	22,719
PRC enterprise income tax paid	**(359)**	(238)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	**(2,253)**	22,481
INVESTING ACTIVITIES		
Interest received	**4**	20
Purchases of property, plant and equipment	**(110)**	(650)
Proceeds from disposal of property, plant and equipment	**–**	52
Net cash inflow from disposal of subsidiaries	**1,086**	63
Net cash outflow from deregistration of subsidiaries	**(31)**	–
Increase in prepayment for equity investment	**(7,000)**	–
Investment in a joint venture	**–**	(5,000)
NET CASH USED IN INVESTING ACTIVITIES	**(6,051)**	(5,515)
FINANCING ACTIVITIES		
Advance from a major shareholder	**3,649**	–
New other borrowings raised	**12,938**	–
Repayment of other borrowings	**(4,643)**	–
Repayment to provision for claims	**(5,000)**	(19,008)
Interest paid	**(36)**	(4,204)
(Repayment to)/advance from former directors	**(5,045)**	630
Repayment to directors	**–**	(306)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	**1,863**	(22,888)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(6,441)**	(5,922)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**8,514**	14,613
Effect of foreign exchanges rate changes	**(395)**	(177)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**1,678**	8,514

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

1. GENERAL

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

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

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, Prepayment features with negative compensation which have been adopted at the same time as HKFRS 9.

HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

There is no impact of transition to HKFRS 9 on accumulated losses at 1 January 2018.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

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

HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The Group's trade and other receivables and bank balances and cash are reclassified from loans and receivables to financial assets carried at amortised cost under HKFRS 9.

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial assets and liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

b. Impairment of financial assets

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including trade and other receivables and bank balances and cash).

The Group recognises that there will be not any material impact in the ECLs of the Group due to the change in accounting policy.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

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

HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

c. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in accumulated losses and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

- The assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group) for the determination of the business model within which a financial asset is held.

- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

There is no impact of transition to HKFRS 15 on accumulated losses at 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

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

HKFRS 15, Revenue from contracts with customers (Continued)

a. Timing of revenue recognition (Continued)

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sale of goods and this change in accounting policy had no material impact on opening balances as at 1 January 2018.

b. Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

It is not common for the Group to receive payments significantly in advance of revenue recognition in the Group's arrangements with its customers.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises financing component from sale of goods and this change in accounting policy had no material impact on opening balance as at 1 January 2018.

c. Presentation of contract assets and liabilities

Under HKFRS 15, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. The adoption of HKFRS 15 does not have impact on the presentation as the Group does not have any significant contract asset or contract liability in the consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019

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

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

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

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases 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, except for short-term leases and leases of low value assets.

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

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 16 "Leases" (Continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows.

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately RMB1,562,000 as disclosed in Note 34. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16.

In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated losses without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation

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

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

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

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

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

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

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

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

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

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

Investments in subsidiaries

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

Investments in an associate and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in an associate and joint ventures (Continued)

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

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

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

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS9/HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in determination of gain or loss on disposal of associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (accounting policies applied from 1 January 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sales of card products, non-card products and liquor products

Customers obtain control of the card products, non-card products and liquor products when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the products. There is generally only one performance obligation. Invoices are usually payable within 30–90 days. In the comparative period, revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which was taken as at the time of delivery and the title is passed to customer.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (accounting policies applied from 1 January 2018) (Continued)

Provision for application development service

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

Contract assets and liabilities

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

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

Contract asset is recognised when (i) the Group completes the maintenance service under such services contracts but yet certified by customers, or (ii) the customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.

Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

- the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

- the costs are expected to be recovered.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (accounting policies applied until 31 December 2017)

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.

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.

Interest income

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

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 2018

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 2018

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 2018

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 (accounting policies applied from 1 January 2018)

Financial assets

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

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

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

Debt instruments

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (accounting policies applied from 1 January 2018) (Continued)

Financial assets (Continued)

Debt instruments (Continued)

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

Equity instruments

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

Impairment loss on financial assets

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

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.
The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (accounting policies applied from 1 January 2018) (Continued)

Impairment loss on financial assets (Continued)

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

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

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

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

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (accounting policies applied from 1 January 2018) (Continued)

Financial liabilities (Continued)

Financial liabilities at fair value through profit or loss (Continued)

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

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, amount due to former directors, other borrowings and amount due to a major shareholder, using the effective interest method. The related interest expense is recognised in profit or loss.

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

Effective interest method

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

Equity instruments

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

Derecognition

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

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (accounting policies applied until 31 December 2017)

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).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (accounting policies applied until 31 December 2017) (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 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (accounting policies applied until 31 December 2017) (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/former directors, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (accounting policies applied until 31 December 2017) (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 2018

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 2018

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.

Provision of ECL for trade receivables

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 7 and 23.

Income taxes

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

Amortisation of intangible assets

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

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:

	2018 **RMB'000**	2017 RMB'000
Debts (i)	**12,141**	–
Bank balances and cash	**(1,678)**	(8,514)
Net debt/(cash)	**10,463**	(8,514)
Equity (ii)	**16,712**	16,358
Net debt-to-equity ratio (iii)	**63%**	N/A

(i) Debts are defined as long and short-term borrowings (including other borrowings and amount due to a major shareholder).

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

(iii) As the Group had a net cash position at 31 December 2017, 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 2018

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2018 RMB'000	2017 RMB'000
Financial assets		
Financial assets at amortised cost	**50,853**	–
Loans and receivables (including bank balances and cash)	**–**	93,639
Financial liabilities		
Financial liabilities at amortised cost	**44,449**	81,215

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 former directors, amount due to a major shareholder, other borrowings 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.

	2018 RMB'000	2017 RMB'000
Assets	**1,531**	1,747
Liabilities	**5,533**	825

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk

The Group do not expose any fair value interest rate risk in relation to borrowings for the years ended 31 December 2017 and 2018.

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

Credit risk

At 31 December 2018 and 2017, 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 80% (2017: 43%) and 100% (2017: 92%) of the total trade receivables was due from the Group's largest customers and the five largest customers respectively.

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

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Expected credit loss rate (%)	Gross carrying amount (RMB'000)	Loss allowance (RMB'000)	Net carrying amount (RMB'000)
PRC customers				
Provision on individual basis	0%	32,500	–	32,500

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

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

The credit quality of other receivables excluding prepayments has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. The directors are of the opinion that the credit risk of other receivables is low due to the sound collection history of the receivables due from them. Therefore, expected credit loss rate of the other receivables excluding prepayments is assessed to be close to zero and no provision was made as of 31 December 2018.

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 2018				At 31 December 2017	
	Within one year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	Total contractual undiscounted cash flows RMB'000	Carrying amounts RMB'000	Within one year or on demand and total contractual undiscounted cash flows RMB'000	Carrying amounts RMB'000
Non-derivative financial liabilities						
Trade and other payables	32,436	–	32,436	32,436	71,268	71,268
Amount due to a major shareholder	–	3,649	3,649	3,649	–	–
Amounts due to former directors	–	–	–	–	4,947	4,947
Provision for claims	–	–	–	–	5,000	5,000
Other borrowings	8,852	–	8,852	8,492	–	–
	41,288	3,649	44,937	44,577	81,215	81,215

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

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.

9. REVENUE AND OTHER INCOME

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

Revenue

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

Revenue from contracts with customers within the scope of HKFRS 15

	2018 **RMB'000**	2017 RMB'000 (Note)
Type of goods or service		
Sales of cards products	**9,261**	23,830
Sales of non-cards products	**69**	1,774
Sales of liquor products	**63,206**	93,605
Provision for application development service	**2,136**	–
	74,672	119,209
Timing of revenue recognition		
At point in time	**74,672**	119,209

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

9. REVENUE AND OTHER INCOME (Continued)

Revenue (Continued)

Other income

	2018 RMB'000	2017 RMB'000
Waiver of other payables	**90**	1,500
Interest income	**4**	20
Value-added tax refund	**3,008**	1,047
Sundry income	**2**	209
Exchange gain	**287**	–
	3,391	2,776

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 – provision for application development services and trading of IC and magnetic cards and application systems

Non-card products – trading of card related equipment

Liquor products – trading of liquor products

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

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 2018 RMB'000	Card products 2017 RMB'000	Non-card products 2018 RMB'000	Non-card products 2017 RMB'000	Liquor products 2018 RMB'000	Liquor products 2017 RMB'000	Total 2018 RMB'000	Total 2017 RMB'000
Segment revenue:								
Sales to external customers	**11,397**	23,830	**69**	1,774	**63,206**	93,605	**74,672**	119,209
Segment results	**6,038**	10,502	**(3)**	(143)	**1,051**	7,293	**7,086**	17,652
Unallocated corporate income							**2,988**	4,229
Unallocated corporate expense							**(8,746)**	(12,992)
Finance costs							**(134)**	(5,508)
Profit before taxation							**1,194**	3,381

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

10. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

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

	Card products		Non-card products		Liquor products		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
At 31 December	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Assets								
Segment assets	**13,990**	33,259	**–**	1,296	**46,913**	63,962	**60,903**	98,517
Unallocated assets							**13,654**	13,501
Total assets							**74,557**	112,018
Liabilities								
Segment liabilities	**10,418**	30,631	**–**	1,945	**34,939**	58,043	**45,357**	90,619
Unallocated liabilities							**12,141**	4,947
Total liabilities							**57,498**	95,566

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

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

- all liabilities are allocated to operating segments other than amounts due to former directors, amount due to a major shareholder, other borrowings 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 2018

10. SEGMENT INFORMATION (Continued)

(c) Other segment information

For the year ended 31 December	Card products 2018 RMB'000	Card products 2017 RMB'000	Non-card products 2018 RMB'000	Non-card products 2017 RMB'000	Liquor products 2018 RMB'000	Liquor products 2017 RMB'000	Unallocated 2018 RMB'000	Unallocated 2017 RMB'000	Total 2018 RMB'000	Total 2017 RMB'000
Amount included in the measure of segment profit or loss or segment assets:										
Additions to non-current assets (Note)	110	–	–	–	–	–	–	650	110	650
Amortisation for intangible assets	1,814	1,813	–	–	–	–	–	–	1,814	1,813
Depreciation for property, plant and equipment	15	114	–	1	–	–	129	305	144	420
Reversal of impairment loss on trade and other receivables	–	–	–	–	–	–	–	(236)	–	(236)
Impairment loss on trade and other receivables	–	–	–	–	–	–	–	2,253	–	2,253
Net gain on disposal of subsidiaries	–	–	–	–	–	–	(485)	(2,472)	(485)	(2,472)
Loss on deregistration of subsidiaries	–	–	–	–	–	–	70	–	70	–
Waiver of other payables	–	–	–	–	–	–	(90)	(1,500)	(90)	(1,500)
Loss on disposal of property, plant and equipment	–	–	–	–	–	–	–	96	–	96
Loss on written-off of property, plant and equipment	–	–	–	–	–	–	135	–	135	–
Share of loss of joint ventures	–	–	–	–	–	–	12	13	12	13
Written off of trade and other payables	–	–	–	–	–	–	(2,407)	–	(2,407)	–

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

(d) Geographical information

For the two years ended 31 December 2018 and 2017, 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:

	2018 RMB'000	2017 RMB'000
Customer A	–	28,315
Customer B	39,788	22,896
Customer C	10,345	–
Customer D	8,635	21,268
Customer E	–	16,860

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

11. OTHER GAINS AND LOSSES

	2018 RMB'000	2017 RMB'000
Reversal of impairment loss on trade and other receivables	–	236
Impairment loss on trade and other receivables	–	(2,253)
Written off of property, plant and equipment	(135)	–
Loss on disposal of property, plant and equipment	–	(96)
Written off of trade and other payables	2,407	–
Net gain on disposal of subsidiaries (Note 32)	485	2,472
Loss on deregistration of subsidiaries(Note 32)	(70)	-
	2,687	359

12. FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Interest on other borrowings	134	–
Interest on claims (Note 29)	–	5,508
	134	5,508

13. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2018 RMB'000	2017 RMB'000
Staff costs (including directors', chief executive's and supervisors' emoluments)		
Salaries and other benefits	5,991	9,506
Retirement benefit scheme contribution	573	581
Total staff costs	6,564	10,087
Auditors' remuneration	924	939
Cost of inventories recognised as an expense	59,137	91,906
Amortisation of intangible assets (included in cost of sales)	1,814	1,813
Depreciation for property, plant and equipment	144	420
Operating leases rentals in respect of buildings	1,797	1,757

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

14. INCOME TAX EXPENSE

	2018 RMB'000	2017 RMB'000
PRC Enterprise Income Tax ("EIT")		
– Current	**182**	1,625

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% (2017: 25%).

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2018 and 2017 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 profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 RMB'000	2017 RMB'000
Profit before taxation	**1,194**	3,381
Tax at the domestic rate of 25% (2017: 25%)	**298**	845
Effect of different tax rates of subsidiaries	**431**	628
Tax effect of income not taxable for tax purpose	**(417)**	(778)
Tax effect of expenses not deductible for tax purpose	**1,373**	2,519
Tax effect of temporary differences not recognised	**(1,393)**	(2,340)
Tax effect of tax loss not recognised	**263**	752
Utilisation of tax losses previously not recognised	**(373)**	(1)
Income tax expense	**182**	1,625

At 31 December 2018, the Group has unused tax losses of approximately RMB58,150,000 (2017: RMB62,391,000) 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 2018, the Group has deductible temporary differences of approximately RMB5,075,000 (2017: RMB10,647,000). 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 2018

15. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately RMB759,000 (2017: RMB1,606,000) and the weighted average number of ordinary shares in issue of approximately 800,000,000 shares (2017: 800,000,000) during the year.

The diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares for the years ended 31 December 2018 and 31 December 2017.

16. DIVIDEND

No dividend was paid, declared or proposed during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

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

	2018 **RMB'000**	2017 RMB'000
Salaries and other benefits in kind	**2,990**	5,659
Retirement benefit scheme contributions	**539**	540
	3,529	6,199

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 (2017: HKD1,500 per month), a total contribution of approximately RMB41,000 (2017: RMB82,000) was made by the Group in respect of this scheme.

The PRC, other than Hong Kong

As stipulated by rules and regulations in the PRC, the Company and those subsidiaries, which operated in the PRC, are required to contribute to a state-sponsored retirement plan for all its employees. The state-sponsored retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-sponsored retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions, a total contribution of approximately RMB498,000 (2017: RMB458,000) was made by the Group in respect of this scheme.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

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

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

The emoluments paid or payable to each of fifteen (2017: twelve) directors, chief executive and supervisors were as follows:

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

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

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

	For the year ended 31 December 2017			
	Fees RMB'000	Other emoluments and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Total emoluments RMB'000
Executive directors				
Mr. Zhang Tao (appointed on 11 April 2017 and appointed as Chairman on 11 January 2018)	–	390	8	398
Mr. Li Qi Ming *(Chairman)* (resigned on 31 March 2017)	–	299	1	300
Mr. Liu Guo Fei *(Chief Executive Officer)* (resigned on 8 February 2018)	–	1,239	25	1,264
Ms. Wang Hong	–	497	7	504
Non-executive directors				
Mr. Zhou Liang Hao	215	–	–	215
Mr. Chan Ngai Fan	425	–	–	425
Independent non-executive Directors				
Mr. Gao Xiang Nong	260	–	–	260
Mr. Yu Xiuyang	260	–	–	260
Mr. Lau Shu Yan	212	–	–	212
Supervisors				
Mr. Li Xiang	–	–	–	–
Ms. Liu Wei Qun	–	–	–	–
Mr. He Wei Ming	–	50	–	50
	1,372	2,475	41	3,888

No directors, chief executive and supervisors waived or agreed to waive any emoluments during the year ended 31 December 2018 (2017: Nil).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

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 (2017: three) were directors of the Company whose emoluments are set out above. The emoluments of the remaining two (2017: two) highest paid individuals were as follows:

	2018 RMB'000	2017 RMB'000
Salaries and other benefits in kind	**1,001**	942
Retirement benefit scheme contributions	**95**	25
	1,096	967

Their emoluments were within the following bands:

	Number of employees 2018	 2017
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 2018 (2017: Nil).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

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 2017	8,529	5,346	1,077	14,952
Exchange realignment	–	(19)	(76)	(95)
Additions	–	70	580	650
Disposals	–	–	(217)	(217)
Disposal of subsidiary	–	(216)	(196)	(412)
At 31 December 2017	8,529	5,181	1,168	14,878
Exchange realignment	–	4	31	35
Additions	–	110	–	110
Written off	(8,529)	(4,636)	–	(13,165)
Disposal of subsidiaries	–	(432)	(608)	(1,040)
At 31 December 2018	–	227	591	818
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2017	8,518	4,904	278	13,700
Exchange realignment	–	(6)	(13)	(19)
Provided for the year	–	170	250	420
Elimination on disposals	–	–	(69)	(69)
Disposal of subsidiary	–	(214)	(190)	(404)
At 31 December 2017	8,518	4,854	256	13,628
Exchange realignment	–	1	9	10
Provided for the year	–	31	113	144
Elimination on written off	(8,518)	(4,512)	–	(13,030)
Disposal of subsidiaries	–	(297)	(172)	(469)
At 31 December 2018	–	77	206	283
CARRYING VALUES				
At 31 December 2018	**–**	**150**	**385**	**535**
At 31 December 2017	11	327	912	1,250

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

19. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

20. INTANGIBLE ASSETS

	Application system RMB'000
COST	
At 1 January 2017, 31 December 2017 and 2018	12,693
ACCUMULATED AMORTISATION	
At 1 January 2017	151
Provided for the year	1,813
At 31 December 2017	1,964
Provided for the year	1,814
At 31 December 2018	3,778
Carrying value	
At 31 December 2018	8,915
At 31 December 2017	10,729

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 RMB1,814,000 (2017: RMB1,813,000) is included in the cost of sales in the consolidated statement of profit or loss and other comprehensive income.

21. INTERESTS IN JOINT VENTURES

	2018 RMB'000	2017 RMB'000
Cost of unlisted investment, at cost	**5,000**	5,000
Share of loss	**(25)**	(13)
	4,975	4,987

Details of the Group's joint ventures as at 31 December 2018 and 2017 are as follows:

Name	Form of entity	Place of incorporation or registration/ operation	Proportion of nominal value of registered capital held by the Group 2018	2017	Principal activities
Shanghai Googut Trading Co. Limited#* 上海歌漢貿易有限公司	Incorporated	PRC	**40%**	40%	Investing in wine industry and trading of wine products
Googut Mingwah (Hong Kong) Limited	Incorporated	Hong Kong	**40%**	40%	Investing in wine industry and trading of wine products

* English name for identification purpose only.

\# Up to the reporting date, no registered capital of Shanghai Googut Trading Co. Limited has been paid up and the Group therefore had an outstanding investment commitment of approximately RMB5,000,000 in the joint venture as set out in Note 35.

22. INVENTORIES

	2018 RMB'000	2017 RMB'000
Finished goods	**1,446**	1,023

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

23. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	2018 RMB'000	2017 RMB'000
Current		
Trade receivables	**36,046**	84,559
Less: Impairment loss recognised	**(3,546)**	(6,686)
	32,500	77,873
Prepayments, deposits and other receivables	**16,955**	7,685
Less: Impairment loss recognised	**(43)**	(43)
	16,912	7,642
	49,412	85,515
Non-current		
Deposits (Note vi)	**7,000**	–

(i) The Group allows an average credit period of 30–90 days (2017: 30–90 days) to its customers. In addition, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted.

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

	2018 RMB'000	2017 RMB'000
1 to 90 days	**32,500**	62,480
91 to 180 days	**–**	13,726
181 to 365 days	**–**	1,540
Over 365 days	**–**	127
	32,500	77,873

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

23. TRADE AND OTHER RECEIVABLES AND DEPOSITS (Continued)

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

			Past due but not impaired		
	Total	Neither past due nor impaired	Less than 180 days	181 to 365 days	More than 365 days
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2018	**32,500**	**32,500**	**–**	**–**	**–**
At 31 December 2017	77,873	62,480	13,726	1,540	127

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 RMBNil (2017: RMB15,393,000) 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:

	2018	2017
	RMB'000	RMB'000
At the beginning of the year	**6,686**	4,669
Impairment loss for the year	**–**	2,253
Reversal of previously impaired	**–**	(236)
Disposal and deregistration of subsidiaries	**(887)**	–
Written off as uncollectible	**(2,253)**	–
At the end of the year	**3,546**	6,686

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

	2018	2017
	RMB'000	RMB'000
At the beginning and end of the year	**43**	43

(vi) As at 31 December 2018, included in the amount is a deposit of RMB7,000,000 paid for potential acquisition of 14.6% equity interest in Shanghai Aoyi Electronic Technology Company Limited, a company incorporated in the PRC. Details of the potential acquisition were contained in the Company's announcement dated 24 October 2018.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

24. CONTRACT COSTS

	2018 **RMB'000**	2017 RMB'000
Costs to fulfill contracts		
Application development cost	**596**	–

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

25. BANK BALANCES AND CASH

At 31 December 2018 and 2017, 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 (2017: 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:

	2018 **RMB'000**	2017 RMB'000
HKD	**574**	789

At 31 December 2018 approximately RMB1,104,000 was denominated in RMB and deposited with banks in the PRC (2017: RMB7,725,000). RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

26. TRADE AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables	**16,730**	58,314
Accrued expenses and other payables	**18,016**	15,271
Value-added tax payable	**9,182**	10,428
	43,928	84,013

(i) The average credit period on purchases of goods is 90–180 days (2017: 90–180 days). The Group has in place financial risk management policies in place to ensure that all payables are settled within the credit time frame.

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

	2018 RMB'000	2017 RMB'000
0–60 days	**16,602**	779
91–365 days	**83**	54,939
Over 365 days	**45**	2,596
	16,730	58,314

(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:

	2018 RMB'000	2017 RMB'000
HKD	**440**	366

27. AMOUNTS DUE TO FORMER DIRECTORS

	2018 RMB'000	2017 RMB'000
Amounts due to former directors		
Mr. Li Qi Ming	**–**	469
Ms. Hou Qian	**–**	4,478
	–	4,947

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

28. OTHER BORROWINGS

	2018 RMB'000	2017 RMB'000
Unsecured other loans	**8,492**	–
Analysed as:		
Amount due within 1 year shown under current liabilities	**8,492**	–

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

29. PROVISION FOR CLAIMS

	RMB'000
At 1 January 2017	22,704
Add: Interest and other legal expenses	5,595
Less: Settled	(23,299)
At 31 December 2017 and 1 January 2018	5,000
Less: Settled	(5,000)
At 31 December 2018	–

(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) ("the Intermediate Court") 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 former 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 Court 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. A provision for claim of approximately RMB19,008,000 was made in prior year.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

29. PROVISION FOR CLAIMS (Continued)

(i) (Continued)

The Company was noted that the Claimant obtained an assistant enforcement order dated 13 March 2017 from the Intermediate Court, pursuant to which all the domestic shares of the Company held by Mr. Li Qi Ming (the "Shares") would be frozen for a period of two years commencing on 22 March 2017, during which no registration of dealings in, transfer of or disposal of the Shares would be allowed.

In December 2017, the outstanding judgment debt, interests for judgment debts and delayed payments and relevant costs totalling approximately RMB23,299,000 were settled in full. The Company has received an enforcement decision dated 15 December 2017 (the "Enforcement Decision") from the Intermediate Court that with effect from the service of the Enforcement Decision, among other matters, (i) the enforcement of the judgment has been completed and the case is closed; (ii) the freezing order on the Shares held by Mr. Li Qi Ming shall be discharged; and (iii) the freezing order on the industrial and commercial registration of the Company shall be lifted. The additional judgement interest and the relevant legal cost totalling approximately RMB4,291,000 was provided and charged to profit or loss for the year ended 31 December 2017.

(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. During the year ended 31 December 2017, a further provision for accrued interest of approximately RMB1,304,000 was charged to profit or loss to make up the total claim of approximately RMB5,000,000 as at 31 December 2017. The case was closed upon a full payment of RMB5,000,000 was made to Wenzhou Fuguo on 6 February 2018.

30. AMOUNT DUE TO A MAJOR SHAREHOLDER

The amount is unsecured, non-interest bearing and repayable on 30 June 2020.

31. SHARE CAPITAL

		Nominal value		
	Number of shares '000	Domestic shares RMB'000	H shares RMB'000	Total RMB'000
Registered, issued and fully paid:				
At 31 December 2017 and 2018	800,000	59,980	20,020	80,000

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

32. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES

(a) For the year ended 31 December 2018

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

32. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES (Continued)

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

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

32. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES (Continued)

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

32. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES (Continued)

(b) For the year ended 31 December 2017

(i) On 1 September 2017, the Company entered into a sale and purchase agreement to dispose of its 80% equity interest in its subsidiary, Beijing Mingwah Aohan High Technology Co., Ltd. ("Beijing Mingwah") (北京市明華澳漢科技有限公司) to an independent third party at a consideration of RMB400,000. The principal activity of Beijing Mingwah is design, development and trading of IC cards, magnetic cards, related equipment and application systems. The net liabilities of the subsidiary were as follows:

	RMB'000
Net liabilities disposed of	
Property, plant and equipment	8
Inventories	65
Trade and other receivables	2,224
Bank balances and cash	337
Trade and other payables	(5,224)
	(2,590)
Non-controlling interest	518
Gain on disposal of subsidiary	2,472
Total consideration satisfied by:	
Cash consideration received	400
Net cash inflow arising on disposal	63

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

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

	Provision for claims RMB'000	Amounts due to directors RMB'000	Amounts due to former directors RMB'000	Amount due to a major shareholder RMB'000	Other borrowings RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2017	22,704	325	4,478	–	–	27,507
Changes in cash flows	(19,008)	(306)	630	–	–	(18,684)
Non-cash changes – additions	1,304	–	–	–	–	1,304
Exchange rate changes	–	(19)	(161)	–	–	(180)
At 31 December 2017 and 1 January 2018	5,000	–	4,947	–	–	9,947
Changes in cash flows	(5,000)	–	(5,045)	3,649	8,259	1,863
Non-cash changes – additions	–	–	90	–	37	127
Exchange rate changes	–	–	8	–	197	205
At 31 December 2018	–	–	–	3,649	8,493	12,142

34. 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:

	2018 RMB'000	2017 RMB'000
Within one year	**1,458**	1,438
In the second to fifth years inclusive	**104**	–
	1,562	1,438

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

35. CAPITAL COMMITMENT

	2018 RMB'000	2017 RMB'000
Capital contribution to joint ventures	**5,000**	5,000
Capital contribution to subsidiaries	**23,000**	3,000
	28,000	8,000

36. RELATED PARTY AND CONTINUING CONNECTED TRANSACTIONS

(a) In addition to related party balances detailed in the consolidated financial statements and Notes 27 and 30, 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 2018 RMB'000	Transaction amount 2017 RMB'000	Balance owed 2018 RMB'000	Balance owed 2017 RMB'000
Shenzhen Mingwah Aohan Smart Card Corporation Ltd. (深圳市明華澳漢智能卡有限公司)	Purchases of goods	**153**	846	**–**	1,039

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

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

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

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 2018 or 2017 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 2018

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 RMB'000	2017 RMB'000
Non-current assets		
Property, plant and equipment	**92**	143
Intangible assets	**8,915**	10,729
Investment in subsidiaries	**5,019**	1,119
Deposits	**7,000**	–
	21,026	11,991
Current assets		
Trade and other receivables	**7,921**	19,446
Amounts due from subsidiaries	**5,185**	24,126
Contract costs	**596**	–
Bank balances and cash	**1,090**	7,398
	14,792	50,970
Current liabilities		
Trade and other payables	**8,664**	22,155
Amounts due to subsidiaries	**4,988**	–
Amounts due to former directors	**–**	4,488
Provision for claims	**–**	5,000
Other borrowings	**3,400**	–
	17,052	31,643
Net current (liabilities)/assets	**(2,260)**	19,327
Total assets less current liabilities	**18,766**	31,318
Non-current liabilities		
Amount due to a major shareholder	**3,649**	–
Net assets	**15,117**	31,318
Capital and reserves		
Share capital	**80,000**	80,000
Reserves	**(64,883)**	(48,682)
Equity	**15,117**	31,318

The Company's statement of financial position was approved and authorised for issue by the board of directors on 15 March 2019 and are signed on its behalf by:

Mr. Zhang Tao
Director

Ms. Wang Hong
Director

37. 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 2017	71,974	4,716	2,358	(134,306)	(55,258)
Total comprehensive income for the year	–	–	–	6,576	6,576
At 31 December 2017	71,974	4,716	2,358	(127,730)	(48,682)
Total comprehensive income for the year	–	–	–	(16,201)	(16,201)
At 31 December 2018	71,974	4,716	2,358	(143,931)	(64,883)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

38. SUBSIDIARIES

Details of the Company's principal subsidiaries established as at 31 December 2018 and 2017 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation/ establishment	Class of shares held	Issued and fully paid share capital	Proportion ownership interest directly held by the Company		Principal activities
			RMB'000	2018	2017	
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%	Trading of 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%	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%	Provision of administrative support
Shanghai Ai Ba Ke Food Limited (上海愛吧客食品有限公司)	PRC	Contributed capital	–#	100%	100%	Trading of liquor products
Xizang Googut Trading Co., Ltd. (西藏歌德爾香貿易有限公司)	PRC	Contributed capital	–#	100%	–	Trading of liquor products

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

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

* English name is for identification purpose only.

\# Up to the reporting date, no registered capital of Shanghai Ai Ba Ke Food Limited, Xizang Googut Trading Co., Ltd., Shenzhen Zhifen Technology Co., Ltd. and Shanghai Yongning Technology Co., Ltd. has been paid up and the Company therefore had an outstanding investment commitment of approximately RMB23,000,000 in the subsidiary as set out in Note 35.

Financial Summary

RESULTS

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**74,672**	119,209	44,246	26,308	25,708
Profit/(loss) before tax	**1,194**	3,381	(16,199)	4,079	(6,088)
Income tax expense	**(182)**	(1,625)	(222)	(3)	(34)
Profit/(loss) for the year	**1,012**	1,756	(16,421)	4,076	(6,122)
Attributable to:					
Owners of the Company	**759**	1,606	(16,389)	4,039	(6,002)
Non-controlling interests	**253**	150	(32)	37	(120)
Profit/(loss) for the year	**1,012**	1,756	(16,421)	4,076	(6,122)

ASSETS AND LIABILITIES

	At 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**74,557**	112,018	73,115	18,965	10,227
Total liabilities	**(57,498)**	(95,566)	(58,831)	(70,489)	(65,607)
	17,059	16,452	14,284	(51,524)	(55,380)
Attributable to:					
Owners of the Company	**16,712**	16,358	14,858	(50,982)	(54,801)
Non-controlling interests	**347**	94	(574)	(542)	(579)
Equity	**17,059**	16,452	14,284	(51,524)	(55,380)