



深圳市明華澳漢科技股份有限公司

Shenzhen Mingwah Aohan High Technology Corporation Ltd.*

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

Stock Code: 8301

2014

Interim Report

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

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This report, for which the directors (the “Directors”) of Shenzhen Mingwah Aohan High Technology Corporation Limited (the “Company”, together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (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.

HIGHLIGHTS

- For the six months ended 30 June 2014, unaudited revenue increased to approximately RMB11,689,000, which represents an increase of approximately of 6.2% over the corresponding period in 2013. The loss attributable to owners of the Company for the six months ended 30 June 2014 was approximately RMB2,521,000 (2013: RMB1,112,000).
- Loss per share of the Group was approximately RMB0.48 cents for the six months ended 30 June 2014.

To all shareholders,

The Board of Directors (the "Board") are pleased to announce the unaudited condensed consolidated quarterly results of the Group for the three months and six months ended 30 June 2014 together with comparative figures for the corresponding period ended 30 June 2013, as follows:

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

For the three months and six months ended 30 June 2014 and 30 June 2013

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Revenue	3	6,356	3,873	11,689	11,004
Cost of sales		(4,855)	(2,626)	(9,490)	(8,266)
Gross profit		1,501	1,247	2,199	2,738
Other income		—	604	350	649
Distribution and selling expenses		(465)	(569)	(964)	(1,177)
General and administrative expenses		(1,952)	(1,760)	(3,911)	(3,327)
Other gains and losses		—	(1)	—	(1)
Loss from operations		(916)	(479)	(2,326)	(1,118)
Finance costs		(120)	(4)	(240)	(9)
Loss before taxation	5	(1,036)	(483)	(2,566)	(1,127)
Income tax expense	6	(9)	—	(9)	—
Loss for the period		(1,045)	(483)	(2,575)	(1,127)
Other comprehensive income for the period		4	—	(46)	—
Total comprehensive expenses for the period		(1,041)	(483)	(2,621)	(1,127)
Loss attributable to:					
Owners of the Company		(1,062)	(498)	(2,521)	(1,112)
Non-controlling interests		17	15	(54)	(15)
		(1,045)	(483)	(2,575)	(1,127)
Total comprehensive expenses attributable to:					
Owners of the Company		(1,058)	(498)	(2,567)	(1,112)
Non-controlling interests		17	15	(54)	(15)
		(1,041)	(483)	(2,621)	(1,127)
Dividend	7	—	—	—	—
Loss per share					
— Basic (cents)	8	(0.20)	(0.10)	(0.48)	(0.21)
— Diluted (cents)	8	N/A	N/A	N/A	N/A

Unaudited Condensed Consolidated Statement of Financial Position*At 30 June 2014 and 31 December 2013*

	Note	2014 RMB'000 (Unaudited)	2013 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		1,272	2,023
Current assets			
Inventories		417	248
Trade receivables	9	4,385	2,308
Other receivables		8,371	6,996
Bank balances and cash		1,843	2,445
		15,016	11,997
Current liabilities			
Trade and other payables	10	38,582	33,601
Amount due to a director		—	105
Income tax payable		24	11
Loan from a former minority shareholder		6,853	6,853
Provision for claims	11(b)	22,704	22,704
		68,163	63,274
Net current liabilities		(53,147)	(51,277)
Total assets less current liabilities		(51,875)	(49,254)
Net liabilities		(51,875)	(49,254)

	Note	2014 RMB'000 (Unaudited)	2013 RMB'000 (Audited)
Capital and reserves			
Share capital	12	52,000	52,000
Reserves		(103,362)	(100,795)
Equity attributable to owners of the Company		(51,362)	(48,795)
Non-controlling interests		(513)	(459)
Capital deficiency		(51,875)	(49,254)

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014 and 30 June 2013

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Share premium	Statutory surplus reserve	Statutory public welfare fund	Translation reserve	Accumulated losses	Total		
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
At 1 January 2013	52,000	17,574	5,954	2,978	—	(76,698)	1,808	637	2,445
Total comprehensive expenses for the period	—	—	—	—	—	(1,112)	(1,112)	(15)	(1,127)
At 30 June 2013	52,000	17,574	5,954	2,978	—	(77,810)	696	622	1,318
At 1 January 2014	52,000	17,574	5,954	2,978	9	(127,310)	(48,795)	(459)	(49,254)
Total comprehensive expenses for the period	—	—	—	—	(46)	(2,521)	(2,567)	(54)	(2,621)
At 30 June 2014	52,000	17,574	5,954	2,978	(37)	(129,831)	(51,362)	(513)	(51,875)

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014 and 30 June 2013

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Net cash used in operating activities	(597)	(192)
Net cash used in investing activities	(5)	(470)
Net decrease in cash and cash equivalents	(602)	(662)
Cash and cash equivalents at beginning of the period	2,445	2,075
Cash and cash equivalents at end of the period — represented by bank balances and cash	1,843	1,413

Notes to the Condensed Financial Statements

For the period ended 30 June 2014

1. GENERAL

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

The Group is principally engaged in design, development and manufacture of IC cards, magnetic cards, related equipment and the application systems in the PRC.

2. BASIS OF PREPARATION

The accompanying unaudited condensed consolidated results of the Group are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Chapter 18 of the GEM Listing Rules. They have been prepared under historical cost convention. The accounting policies adopted are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013.

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

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

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

3. REVENUE

Revenue represents the gross invoiced value of goods sold, net of value added tax, sale returns and discounts to outside customers, and are summarised as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Sales of card products	5,404	3,232	9,712	8,922
Sales of non-card products	952	641	1,977	2,082
	6,356	3,873	11,689	11,004

4. SEGMENTAL INFORMATION

Business segments

For management purpose, the Group's products are divided into two kinds, namely card products and non-card products. Card products include design, development and manufacture of IC and magnetic cards. Non-card products include design, development and manufacture of card related equipment and application systems. These products are the basis on which the Group announces its business segmental information.

The Group's primary format for reporting segmental information is by business segments.

Segmental information about the business is presented below:

For the six months ended 30 June 2014

	Card products RMB'000 (Unaudited)	Non-card products RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
Segment revenue			
Sales to external customers	9,712	1,977	11,689
Segment results	(2,546)	(129)	(2,675)
Unallocated corporates income			350
Unallocated corporate expense			(1)
Loss from operations			(2,326)
Finance costs			(240)
Loss before taxation			(2,566)

For the six months ended 30 June 2013

	Card products RMB'000 (Unaudited)	Non-card products RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
Segment revenue			
Sales to external customers	8,922	2,082	11,004
Segment results	(1,591)	(175)	(1,766)
Interest income			20
Unallocated corporate income			629
Unallocated corporate expense			(1)
Loss from operations			(1,118)
Finance costs			(9)
Loss before taxation			(1,127)

5. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Depreciation of property, plant and equipment	378	378	757	757

6. INCOME TAX EXPENSE

The charge represents enterprise income tax in the PRC.

	For the three months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
PRC enterprise income tax Current period	9	—	9	—

PRC enterprise income tax of the Group is calculated at the applicable rate of 25% (2013: 25%) on estimated assessable profits.

The Group does not have any significant unprovided deferred taxation for the six months ended 30 June 2014 (2013: Nil).

7. DIVIDEND

No dividend was paid during the period. The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: Nil).

8. LOSS PER SHARE

The calculation of the basic loss per share for the six months ended 30 June 2014 is based on the unaudited net loss attributable to owners of the Company for the relevant period of approximately RMB2,521,000 (2013: RMB1,112,000) and the weighted average number of 520,000,000 shares (2013: 520,000,000 shares).

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

9. TRADE RECEIVABLES

Details of the aging analysis are as follows:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
1 to 90 days	2,148	1,821
91 to 180 days	1,524	156
181 to 365 days	606	224
Over 365 days	107	107
	4,385	2,308

Included in the Group's trade receivables balance are debtors with a carrying amount of approximately RMB2,237,000 (2013: RMB487,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

10. TRADE AND OTHER PAYABLES

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
1-90 days	3,577	3,282
91-180 days	1,870	—
181-365 days	894	1,033
Over 365 days	6,802	6,259
Trade payables	13,143	10,574
Value-added tax payable	12,046	11,382
Accrued interest	4,231	3,993
Accrued expenses and other payables	9,162	7,652
	38,582	33,601

The fair value of the Group's trade payables and other payables at 30 June 2014 approximates to the corresponding carrying amount.

11. LITIGATIONS

(a) Litigation

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

On 21 January 2011, a settlement agreement was issued by Guangdong Provincial Shenzhen City Fu Tian District People's Court (廣東省深圳市福田區人民法院). The Company and Sihui agreed to pay an amount of approximately RMB3,638,000 to Shanghai Fudan on or before 20 July 2011 as a full settlement of debt. However, the amount was not settled by the stipulated date and Shanghai Fudan has further taken legal action for the claim together with accrued interest of approximately RMB119,000 against the Company on 7 February 2012. The overdue amount of approximately RMB3,638,000 and accrued interest of approximately RMB119,000 were recognised and included in trade payables and other payables respectively both at 31 December 2013 and 30 June 2014.

(b) Provision for claims

	RMB'000
At 1 January 2013	—
Claims for the year	22,704
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At 31 December 2013 (audited) and 30 June 2014 (unaudited)	22,704

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

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

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

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

12. SHARE CAPITAL

	Number of shares '000	Nominal value		Total RMB'000
		Domestic shares '000	H shares HK\$'000	

Registered, issued and fully
paid:

At 1 January 2014 and
30 June 2014 (nominal value
of RMB0.10 each)

520,000	31,980	20,020	52,000
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13. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2014 and 31 December 2013.

14. CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 30 June 2014 and 31 December 2013.

15. RELATED PARTY AND CONTINUING CONNECTED TRANSACTIONS

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

Name of related party	Nature of transactions	For the three months ended		For the six months ended	
		30 June		30 June	
		2014	2013	2014	2013
		RMB'000	RMB'000	RMB'000	RMB'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Shenzhen Mingwah Aohan Smart Card Corporation Ltd. (深圳市明華澳漢智能卡有限公司)	Purchases of goods	878	535	1,606	1,905

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

16. EVENT AFTER THE REPORTING PERIOD

Subsequent to 30 June 2014, the Group obtained a loan of approximately RMB6,500,000 on an interest free and unsecured basis from Mr. Li Qi Ming, the Chairman of the Company, to fund the engagement of professional firms to provide professional services to the Company in relation to the resumption of trading of the Shares of the Company, details of which are set out in the Company's announcement dated 14 October 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's revenue is derived from the businesses of design, development and manufacture of IC cards, magnetic cards, related equipment and application systems in the PRC and has shown a downtrend for years. 2014 will become a very challenging year for the Group. The Group's principal business is facing gradually fierce competition and hence has smaller room for development. The Group has no competitive edges in such mature products and saturated market like the mainland China. Therefore, the gradual wilting of the Group's principal business becomes an inevitable tendency. As such, the Board will continue to put effort in developing new business of high end products.

Financial Review

The Group's revenue of the six months ended 30 June 2014 was approximately RMB11,689,000, representing a slight increase of approximately 6.2% as compared with approximately RMB11,004,000 recorded in last corresponding period.

Because of the increase in sales, for the six months ended 30 June 2014, the Group's cost of sales increased to approximately RMB9,490,000 (2013: RMB8,266,000). The gross profit for the six months ended 30 June 2014 was approximately RMB2,199,000 (2013: RMB2,738,000). The gross profit margin was approximately 18.8% (2013: 24.9%). The underlying reason for such decrease was mainly due to increase in material costs.

When compared to the corresponding period last year, the distribution and selling expenses decreased by 18.1% to approximately RMB964,000 (2013: RMB1,177,000) mainly due to the tight cost control implemented. The general and administrative expenses increased by 17.6% to approximately RMB3,911,000 (2013: RMB3,327,000) mainly due to increase in staff cost. The finance costs for the period increased to approximately RMB240,000, representing an increase of approximately 2566.7% from approximately RMB9,000 in the corresponding period in 2013. The reason for such increase was mainly due to the under-provision of interest charge on the loan from a former minority shareholder made in the first six months in last year.

For the six months ended 30 June 2014, the Group's loss attributable to owners of the Company was approximately RMB2,521,000 (2013: RMB1,112,000).

Prospect

The Board is now putting extensive effort in developing new business which is expected to bring growth potential for turnover to the Group and returns to the shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Financial Position

As at 30 June 2014, the Group had net current liabilities of approximately RMB53,147,000 (31 December 2013: RMB51,277,000). Current assets as at 30 June 2014 comprise inventories of approximately RMB417,000 (31 December 2013: RMB248,000), trade receivables of approximately RMB4,385,000 (31 December 2013: RMB2,308,000), other receivables of approximately RMB8,371,000 (31 December 2013: RMB6,996,000), and bank balances and cash of approximately RMB1,843,000 (31 December 2013: RMB2,445,000). Current liabilities as at 30 June 2014 comprise trade and other payables of approximately RMB38,582,000 (31 December 2013: RMB33,601,000), amount due to a director of nil (31 December 2013: RMB105,000), income tax payable of approximately RMB24,000 (31 December 2013: RMB11,000), loan from a former minority shareholder of approximately RMB6,853,000 (31 December 2013: RMB6,853,000) and provision for claims of approximately RMB22,704,000 (31 December 2013: RMB22,704,000).

CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 30 June 2014 and 31 December 2013.

FINANCIAL RESOURCES

As at 30 June 2014, the Group had bank balances and cash of approximately RMB1,843,000. The Company intends to finance the Group's future operations, capital expenditure and other capital requirements with the existing cash and bank balances.

GEARING RATIO

As the group had a net deficiency at 30 June 2014 and 31 December 2013, the Group's gearing ratio as at that dates were not applicable.

MATERIAL ACQUISITIONS OR DISPOSALS

The Group had no material acquisitions or disposals during the six months ended 30 June 2014.

SEGMENTAL INFORMATION

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

EMPLOYEE INFORMATION

As at 30 June 2014, the Group had 63 full time employees, comprising 14 in administration and finance, 25 in research and development and customer services, 20 in sales, 2 in purchases, and 2 in quality control.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2014, the Company had not pledged any assets for banking facilities.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Directors do not have any future plans for material investment or capital assets as at 30 June 2014.

FOREIGN EXCHANGE EXPOSURE

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

LITIGATIONS

Details of the litigation are stated in note 11 to this Interim Report.

EVENT AFTER THE REPORTING PERIOD

Details of the event after reporting period are stated in note 16 to this Interim Report.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2014 and 31 December 2013.

SIGNIFICANT INVESTMENT HELD

The Group did not have any significant investment held as at 30 June 2014.

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

None of the Directors or supervisors (the "Supervisors") of the Company or their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right as at 30 June 2014.

DISCLOSURE OF INTERESTS

(a) Directors', Chief Executive's and Supervisors' interests in shares of the Company

As at 30 June 2014, the interests and long positions of the Directors, the Chief Executive and the Supervisors and their respective associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Long positions in shares of the Company

Name of Director/ Chief Executive/ Supervisor	Capacity	Number and class of securities	Approximate percentage of domestic shares	Approximate percentage of total registered share capital
Mr. Li Qi Ming	Beneficial owner	229,840,000 domestic shares	71.87%	44.20%

Other than the holdings as disclosed above, none of the Company's directors, chief executives, supervisors, and their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2014.

(b) Interests discloseable under SFO and substantial shareholders

So far as the Directors are aware, as at 30 June 2014, the persons or companies (not being a Director 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 (H) shares	Approximate percentage of total registered share capital
Principes MB Asset Management Corp.	Beneficial owner	11,416,000 H shares	5.70%	2.20%

SHARE OPTION SCHEME

The Company has not granted or issued any option up to 30 June 2014.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

COMPETING INTERESTS

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 period under review.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors of the Company, all Directors of the Company confirm that they complied with such code of conduct throughout the period to 30 June 2014.

AUDIT COMMITTEE

The Company has established an audit committee since June 2004 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial announcement process and internal control procedures of the Company and provide advice and comments to the Directors. The audit committee currently comprises three independent non-executive Directors, namely, Mr. Gao Xiang Nong, Mr. Yu Xiuyang and Mr. Chen Hong Lei.

The audit committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed internal controls and financial announcement matters. The audit committee has also reviewed the unaudited interim results of the Company for the six month ended 30 June 2014.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 of the Listing Rules of the Stock Exchange.

- (i) The role of chairman and chief executive officer of the Group rests on the same individual as detailed in Chairman and the Chief Executive Officer below.
- (ii) The Company has not arranged any appropriate Directors and Officers Liability Insurance coverage on the directors' and officers' liabilities in respect of any legal actions against the directors and senior management arising out of corporate activities during the year.

NON-COMPLIANCE WITH THE GEM LISTING RULES

- (i) The Company was not able to timely comply with the financial reporting provisions under the GEM Listing Rules in (i) announcing the annual results for the financial years ended 31 December 2013 and 2014 and the first and third quarterly results for 2014, and the first quarterly results for 2015, and the interim results for 2014 and 2015 and (ii) publishing the related annual reports, and quarterly and interim reports for 2014 and 2015.
- (ii) The Company did not make timely disclosure of and seek independent shareholders' approval for the continuing connected transactions for the financial years ended 31 December 2012, 2013 and 2014 as well as the period from 1 January 2015 to 30 September 2015 as detailed in the Company's announcement dated 14 October 2015, which constitutes a non-compliance of the GEM Listing Rules under Chapter 20.

CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

Mr. Li Qi Ming assumes the role of both the chairman and the chief executive officer of the Company. While serving as the chairman of the Group, Mr. Li leads the Board and is responsible for the proceedings and workings of the Board. He ensures that:

- the Board acts in the best interests of the Group; and
- the Board functions effectively, and that all key and appropriate issues are properly briefed and discussed by the Board.

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

- Audit Committee composed exclusively of independent non-executive directors; and
- The independent non-executive Directors have free and direct access to the Company's external auditors and independent professional advice when considered necessary.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

INTERIM DIVIDEND

The Board does not declare an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

DIRECTORS

As at the date hereof, the executive directors of the Company are Mr. Li Qi Ming, Mr. Loo Chung Kueng, Steve, Mr. Liu Guo Fei and Ms. Hou Qian; and the independent non-executive directors of the Company are Mr. Gao Xiang Nong, Mr. Yu Xiuyang and Mr. Chen Hong Lei.

By Order of the Board
Shenzhen Mingwah Aohan High Technology Corporation Limited
Li Qi Ming
Chairman

28 October 2015, Shenzhen, the PRC