



深圳市明華澳漢科技股份有限公司

Shenzhen Mingwah Aohan High Technology Corporation Ltd.\*

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

Stock Code: 8301

# 2016

## First Quarterly Report

\* For identification purpose only

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

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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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 three months ended 31 March 2016, the unaudited revenue was approximately RMB5,223,000, which representing an increase of approximately 38.8% as compared to that of the corresponding period in previous year. The loss attributable to owners of the Company for the three months ended 31 March 2016 was approximately RMB9,931,000 (2015: RMB717,000).
- Loss per share of the Group was approximately RMB1.43 cents for the three months ended 31 March 2016.

**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 ended 31 March 2016 ("First Quarter"), together with the comparative unaudited figures for the corresponding period in 2015, as follows:

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

For the three months ended 31 March 2016 and 31 March 2015

	Notes	For the three months ended 31 March 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Revenue	3	5,223	3,762
Cost of sales		(1,593)	(2,824)
Gross profit		3,630	938
Other income		191	63
Distribution and selling expenses		(234)	(205)
General and administrative expenses		(13,555)	(1,433)
Loss from operations		(9,968)	(637)
Finance costs		—	(120)
Loss before taxation		(9,968)	(757)
Income tax expenses	4	—	—
Net loss for the period		(9,968)	(757)
Other comprehensive income for the period		67	(3)
Total comprehensive expenses for the period		(9,901)	(760)
Loss attributable to:			
Owners of the Company		(9,931)	(717)
Non-controlling interests		(37)	(40)
		(9,968)	(757)
Total comprehensive expenses attributable to:			
Owners of the Company		(9,864)	(720)
Non-controlling interests		(37)	(40)
		(9,901)	(760)
Dividend	5	—	—
Loss per share			
— Basic (cents)	6	(1.43)	(0.14)
— Diluted (cents)	6	N/A	N/A

## Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2016 and 31 March 2015

	Attributable to owners of the Company							Non-controlling	
	Share capital	Share premium	Statutory surplus reserve	Statutory public welfare fund	Translation reserve	Accumulated losses	Total	interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2015	52,000	17,574	5,954	2,978	5	(133,312)	(54,801)	(579)	(55,380)
Total comprehensive expenses	-	-	-	-	(3)	(717)	(720)	(40)	(760)
At 31 March 2015	52,000	17,574	5,954	2,978	2	(134,029)	(55,521)	(619)	(56,140)
At 1 January 2016	<b>52,000</b>	<b>17,574</b>	<b>5,954</b>	<b>2,978</b>	<b>(215)</b>	<b>(129,273)</b>	<b>(50,982)</b>	<b>(542)</b>	<b>(51,524)</b>
Total comprehensive income (expenses)	-	-	-	-	67	(9,931)	(9,864)	(37)	(9,901)
Issue of shares upon subscription	<b>28,000</b>	<b>54,320</b>	-	-	-	-	82,320	-	82,320
At 31 March 2016	<b>80,000</b>	<b>71,894</b>	<b>5,954</b>	<b>2,978</b>	<b>(148)</b>	<b>(139,204)</b>	<b>21,474</b>	<b>(579)</b>	<b>20,895</b>

## Notes to the Unaudited Condensed Financial Statements

For the three months ended 31 March 2016

### 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").

The Group is principally engaged in design, development and trading of IC cards, magnetic cards, related equipment and 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 Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standard and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements 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 2015.

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 31 March	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Sales of card products	4,809	3,358
Sales of non-card products	414	404
	<b>5,223</b>	<b>3,762</b>

#### 4. INCOME TAX EXPENSES

No provision for PRC enterprise income tax of the Group has been made as there was no estimated assessable profits for the three months ended 31 March 2016 (2015: Nil).

The Group did not have any significant unprovided deferred taxation as at 31 March 2016 and 31 March 2015.

#### 5. DIVIDEND

No dividend was paid during the period. The directors do not recommend the payment of an interim dividend for the three months ended 31 March 2016 (2015: Nil).

#### 6. LOSS PER SHARE

The calculation of basic loss per share for the three months ended 31 March 2016 is based on the unaudited net loss attributable to owners of the Company for the relevant period of approximately RMB9,931,000 (2015: RMB717,000) and the weighted average number of 695,384,615 shares (2015: 520,000,000 shares).

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

#### 7. 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 31 March	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Shenzhen Mingwah Aohan	Sales of goods	—	534
Smart Card Corporation Ltd. (深圳市明華澳漢智能卡有限公司)	Purchases of goods	—	77

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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group's revenue is derived from the businesses of design, development and trading of IC cards, magnetic cards, related equipment and application systems in the PRC and a growth in revenue in the three months ended 31 March 2016 in comparing with the corresponding period in 2015. For the three months ended 31 March 2016, the Group recorded an increase in revenue due to the following reasons:

With the financial support from our two major shareholders, the financial situation of the Company has been greatly improved. Based on the Company's mature technology as core strength and its long established reputation in the market, the Company believes that its business would soon recover. The Company intends to increase its customer base to media and entertainment industry, internet finance industry and precision instrument industry. At the end of 2015, the Company had entered into two new contracts for its application system with two new customers, one from the internet finance industry and the other from the precision instrument industry, and such fact indicates that the market had gradually restored its confidence in the Company. Therefore the Company recorded a growth in revenue in the financial period under review.

### Financial Review

The Group's revenue for the three months ended 31 March 2016 was approximately RMB5,223,000 (2015: RMB3,762,000), representing an increase of approximately 38.8% as compared to the corresponding period in 2015. Such increase was mainly due to the financial situation of the Company has been greatly improved because of the financial support from our two major shareholders, the Company's mature technology, and the new business plan in targeting the internet finance industry and precision instrument industry.

The Group's cost of sales for the three months ended 31 March 2016 decreased from approximately RMB2,824,000 to RMB1,593,000, representing a decrease of approximately 43.6% as compared to that of the same period in 2015. The gross profit for the three months ended 31 March 2016 increased by approximately 287.0% to approximately RMB3,630,000 (2015: RMB938,000). The percentage of gross profit for the three months ended 31 March 2016 increased from 24.9% to 69.5% as compared to the corresponding period in 2015, which was mainly due to increase in sales of COS software products which were with higher profit margin.



The distribution and selling expenses increased by approximately 14.2% to RMB234,000 (2015: RMB205,000). The increase was mainly due to increase in delivery expense and staff cost. The general and administrative expenses increased by approximately 845.92% to approximately RMB13,555,000 (2015: RMB1,433,000) due to increase in professional fees, in which certain portion was incurred in the process of application for resumption of trading of the Company's shares in the Stock Exchange. The finance costs amounted to Nil (2015: approximately RMB120,000) due to the loan from a former minority shareholder was fully settled during the period.

For the three months ended 31 March 2016, the Group's loss attributable to owners of the Company was approximately RMB9,931,000 (2015: RMB717,000).

## Prospect

The Group expects that market for CPU smart cards will grow continuously for people are putting more emphasis on the security of private data. With the Group's mature application system for card products, the Directors gradually switch the business focus from the supply of traditional IC Card products to CPU smart cards. Also it is expected that the mature data encryption technology developed by the Group would have wider application to internet financing, media and entertainment and military instrument industries which require a higher standard of security. Therefore, it was the Group's intention to expand its operation targeting such industries. The Group has an edge in product security and data encryption technology, which enables our products to be competitive in the above industries. The Group is of the view that its CPU smart cards and software products in these sectors will be highly competitive.

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

## Litigations

- (i) 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. In February 2016, a settlement agreement was made and the Group paid RMB3,000,000 to Shanghai Fudan as a full and final settlement of the debt and the case was then closed upon settlement.

- (ii) 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. A provision for claim of approximately RMB19,008,000 was made during the year ended 31 December 2013.

- (iii) 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.

## DISCLOSURE OF INTERESTS

### (a) Directors', Chief Executives' and Supervisors' interest in shares of the Company

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

#### *Long positions in shares of the Company*

Name of Director/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	172,640,000 domestic shares	28.78%	21.58%
Ms. Hou Qian	Beneficial owner	58,240,000 domestic shares	9.71%	7.28%

The Company has been informed by Ms. Hou Qian, an executive director of the Company, on 10 May 2016 that she had disposed of 58,240,000 domestic shares of the Company representing approximately 9.71% of the 599,800,000 issued domestic shares of the Company as at the date of this report to an independent third party.

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

**(b) Interests discloseable under the SFO and substantial shareholders**

So far as the Directors are aware, as at 31 March 2016, 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:

<b>Name of substantial shareholder</b>	<b>Capacity</b>	<b>Number and class of securities</b>	<b>Approximate percentage of shares in the same class</b>	<b>Approximate percentage of total registered share capital</b>
Principes MB Asset Management Corp.	Beneficial owner	11,416,000 H shares	5.70%	1.43%
Shanghai Kuailu Investment (Group) Co., Ltd	Beneficial owner	170,000,000 domestic shares	28.34%	21.25%
Mr. He Wei	Beneficial owner	60,000,000 domestic shares	10.00%	7.5%
Mr. He Mingyang	Beneficial owner	50,000,000 domestic shares	8.34%	6.25%
Shenzhen Gangao Huijin Investment Company Limited	Beneficial owner	33,800,000 domestic shares	5.64%	4.23%
Mr. Guo Fan	Beneficial owner	31,460,000 domestic shares	5.25%	3.93%

## **SHARE OPTION SCHEME**

The Company has not granted or issued any option up to 31 March 2016.

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

At no time during the period was the Company or any of its 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.

## **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 reporting 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 reporting matters. The audit committee has also reviewed the unaudited first quarterly result of the Company for the three months ended 31 March 2016.

## **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 GEM Listing Rules of the Stock Exchange.

## **NON-COMPLIANCE WITH THE GEM LISTING RULES**

The Company did not make timely disclosure of and seek independent shareholders’ approval for the continuing connected transactions for the financial years ended 31 December 2012, 2013 and 2014 as well as the period from 1 January 2015 to 30 September 2015 as detailed in the Company’s announcement dated 14 October 2015, which constitutes a non-compliance of the GEM Listing Rules under Chapter 20. An extraordinary general meeting will be held in July 2016 to rectify the continuing connected transactions. The Company will make further announcement(s) in due course.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

During the three months ended 31 March 2016, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed shares.

## **DIRECTORS**

As at the date hereof, the executive Directors are Mr. Li Qi Ming, Mr. Liu Guo Fei and Ms. Hou Qian, and the independent non-executive Directors 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*

Shenzhen, the PRC, 12 May 2016