

2016

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 2016, unaudited revenue was approximately RMB9,216,000, which represents a decrease of approximately of 18.2% as compared to that of the corresponding period in previous year. The loss attributable to owners of the Company for the six months ended 30 June 2016 was approximately RMB22,673,000 (2015: profit of RMB1,787,000). The loss was mainly due to professional fees for resumption of trading of shares incurred for the period under review.
- Loss per share of the Group was approximately RMB3.03 cents for the six months ended 30 June 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 and six months ended 30 June 2016 together with comparative figures for the corresponding period ended 30 June 2015, 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 2016 and 30 June 2015

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Revenue	3	3,993	7,505	9,216	11,267
Cost of sales		(2,281)	(3,475)	(3,874)	(6,299)
Gross profit		1,712	4,030	5,342	4,968
Other income		608	73	799	136
Distribution and selling expenses		(167)	(175)	(401)	(380)
General and administrative expenses		(11,694)	(1,235)	(25,249)	(2,668)
(Loss) profit from operations		(9,541)	2,693	(19,509)	2,056
Finance costs		(3,270)	(120)	(3,270)	(240)
(Loss) profit before taxation	5	(12,811)	2,573	(22,779)	1,816
Income tax credit	6	—	1	—	1
(Loss) profit for the period		(12,811)	2,574	(22,779)	1,817
Other comprehensive income for the period		(56)	(4)	11	(7)
Total comprehensive (expenses) income for the period		(12,867)	2,570	(22,768)	1,810
(Loss) profit attributable to:					
Owners of the Company		(12,742)	2,504	(22,673)	1,787
Non-controlling interests		(69)	70	(106)	30
		(12,811)	2,574	(22,779)	1,817
Total comprehensive (expenses) income attributable to:					
Owners of the Company		(12,798)	2,500	(22,662)	1,780
Non-controlling interests		(69)	70	(106)	30
		(12,867)	2,570	(22,768)	1,810
Dividend	7	—	—	—	—
(Loss) earnings per share					
— Basic (cents)	8	(1.59)	0.48	(3.03)	0.34
— Diluted (cents)	8	N/A	N/A	N/A	N/A

Unaudited Condensed Consolidated Statement of Financial Position

At 30 June 2016 and 31 December 2015

	Note	2016 RMB'000 (Unaudited)	2015 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		810	478
Current assets			
Inventories		164	195
Trade receivables	9	10,766	5,228
Other receivables		12,484	3,150
Bank balances and cash		29,197	9,914
		52,611	18,487
Current liabilities			
Trade and other payables	10	17,143	32,134
Amounts due to directors		5,545	8,795
Income tax payable		1	3
Loan from a former minority shareholder		—	6,853
Provision for claims	11	22,704	22,704
		45,393	70,489
Net current assets/(liabilities)		7,218	(52,002)
Total assets less current liabilities		8,028	(51,524)
Net assets/(liabilities)		8,028	(51,524)

	Note	2016 RMB'000 (Unaudited)	2015 RMB'000 (Audited)
Capital and reserves			
Share capital	12	80,000	52,000
Reserves		(71,324)	(102,982)
Equity attributable to owners of the Company		8,676	(50,982)
Non-controlling interests		(648)	(542)
Total equity/(capital deficiency)		8,028	(51,524)

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016 and 30 June 2015

	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	Total		
	RMB'000	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)	(Unaudited)
At 1 January 2015	52,000	17,574	5,954	2,978	5	(133,312)	(54,801)	(579)	(55,380)	
Total comprehensive income (expenses) for the period	–	–	–	–	(7)	1,787	1,780	30	1,810	
At 30 June 2015	52,000	17,574	5,954	2,978	(2)	(131,525)	(53,021)	(549)	(53,570)	
At 1 January 2016	52,000	17,574	5,954	2,978	(215)	(129,273)	(50,982)	(542)	(51,524)	
Issue of shares	28,000	54,320	–	–	–	–	82,320	–	82,320	
Total comprehensive income (expenses) for the period	–	–	–	–	11	(22,673)	(22,662)	(106)	(22,768)	
At 30 June 2016	80,000	71,894	5,954	2,978	(204)	(151,946)	8,676	(648)	8,028	

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016 and 30 June 2015

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Net cash used in operating activities	(63,037)	(79)
Net cash generated from financing activities	82,320	—
Net increase (decrease) in cash and cash equivalents	19,283	(79)
Cash and cash equivalents at beginning of the period	9,914	1,659
Cash and cash equivalents at end of the period — represented by bank balances and cash	29,197	1,580

Notes to the Condensed Financial Statements

For the period ended 30 June 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 sales 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 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 30 June		For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Sales of card products	3,163	6,960	7,971	10,318
Sales of non-card products	830	545	1,245	949
	3,993	7,505	9,216	11,267

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 sales 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 announcements 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 2016

	Card products RMB'000 (Unaudited)	Non-card products RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
Segment revenue			
Sales to external customers	7,971	1,245	9,216
Segment results	(11,576)	(2,016)	(13,592)
Unallocated corporates expense			(5,917)
Loss from operations			(19,509)
Finance costs			(3,270)
Loss before taxation			(22,779)

For the six months ended 30 June 2015

	Card products RMB'000 (Unaudited)	Non-card products RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
Segment revenue			
Sales to external customers	10,318	949	11,267
Segment results	1,715	205	1,920
Unallocated corporates income			136
Profit from operations			2,056
Finance costs			(240)
Profit before taxation			1,816

5. (LOSS) PROFIT BEFORE TAXATION

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

	For the three months ended 30 June		For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Depreciation of property, plant and equipment	41	23	145	45

6. INCOME TAX CREDIT

The credit represents enterprise income tax in the PRC.

	For the three months ended 30 June		For the six months ended 30 June	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
PRC enterprise income tax				
Current period	—	1	—	1

PRC enterprise income tax of the Group is calculated at the applicable rate of 25% (2015: 25%) on estimated assessable profits.

The Group does not have any significant unprovided deferred taxation for the six months ended 30 June 2016 (2015: 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 2016 (2015: Nil).

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic loss per share for the six months ended 30 June 2016 is based on the unaudited net loss attributable to owners of the Company for the relevant period of approximately RMB22,673,000 (2015: profit of RMB1,787,000) and the weighted average number of 747,692,308 shares (2015: 520,000,000 shares).

Diluted (loss) earnings 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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
1 to 90 days	2,885	3,706
91 to 180 days	4,074	932
181 to 365 days	3,180	483
Over 365 days	627	107
	10,766	5,228

Included in the Group's trade receivables balance are debtors with a carrying amount of approximately RMB7,881,000 (2015: RMB1,522,000) 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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
1-90 days	2,244	2,144
91-180 days	16	—
181-365 days	10	—
Over 365 days	2,112	6,245
Trade payables	4,682	8,389
Value-added tax payable	8,722	9,928
Accrued interest	—	4,899
Accrued expenses and other payables	3,739	8,918
	17,143	32,134

The fair value of the Group's trade payables and other payables at 30 June 2016 approximates to the corresponding carrying amount.

11. PROVISION FOR CLAIMS

RMB'000

At 1 January 2015, 31 December 2015 (audited) and 30 June 2016 (unaudited)	22,704
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- (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. A provision for claim of approximately RMB19,008,000 had been made since 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 (溫州富國生物科技股份有限公司) ("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 had been made since 31 December 2013.

12. SHARE CAPITAL

	Number of shares '000	Nominal value		Total RMB'000
		Domestic shares RMB'000	H shares RMB'000	
Registered, issued and fully paid:				
At 1 January 2015	520,000	31,980	20,020	52,000
Issue of shares (Note)	280,000	28,000	—	28,000
At 30 June 2016	800,000	59,980	20,020	80,000

Note: Pursuant to the Subscription Agreements dated 30 October 2015, 280,000,000 domestic shares were allotted and issued at the Subscription price of RMB0.3 per Subscription Share on 3 February 2016.

13. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2016 and 31 December 2015.

14. CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 30 June 2016 and 31 December 2015.

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	
		2016	2015	2016	2015
		RMB'000	RMB'000	RMB'000	RMB'000
		(Unaudited)	(Unaudited)	(Unaudited)	(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	—	182	—	259

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 sales of IC cards, magnetic cards, related equipment and application systems in the PRC.

The Group recorded a decrease in revenue in the six months ended 30 June 2016 in comparing with the corresponding period in 2015 due to the following reasons:

- (i) Intensified Market Competition. Competition in the traditional IC card market has been intensified because of product homogeneity and relatively lower entrance barrier. Many new competitors were attracted into the market and this resulted in the excess capacity and decreased profit margin for most players in the industry.
- (ii) Due to the market situation mentioned in (i) above, the Group concentrated its resources to increase its customer base to internet finance, media and entertainment and precision instrument industries in which the Group's products are competitive. The resource allocated on sales to existing customers was reduced which led to a decrease in sales in the relevant period in 2016.

Financial Review

The Group's revenue of the six months ended 30 June 2016 was approximately RMB9,216,000, representing a decrease of approximately 18.2% as compared with approximately RMB11,267,000 recorded in last corresponding period.

Because of the decrease in sales, for the six months ended 30 June 2016, the Group's cost of sales decreased to approximately RMB3,874,000 (2015: RMB6,299,000). The gross profit for the six months ended 30 June 2016 was approximately RMB5,342,000 (2015: RMB4,968,000). The gross profit margin was approximately 58.0% (2015: 44.1%). The underlying reason for such increase was mainly due to increase in sales of COS software system which were with higher profit margin.

When compared to the corresponding period last year, the distribution and selling expenses increased by 5.5% to approximately RMB401,000 (2015: RMB380,000) mainly due to increase in staff cost. The general and administrative expenses increased by 846.4% to approximately RMB25,249,000 (2015: RMB2,668,000) mainly due to professional fees for resumption of trading of shares incurred for the period under review. The finance costs for the period amounted to approximately RMB3,270,000 (2015: RMB240,000). The increase was mainly due to the payment of overdue interest for the settlement of loan due to a former minority shareholder.

For the six months ended 30 June 2016, the Group's loss attributable to owners of the Company was approximately RMB22,673,000 (2015: profit of RMB1,787,000).

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 wide application to internet finance, media and entertainment and precision instrument industries which require high standard of security. Therefore, it was the Group's intention to 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.

The Company has developed mature security encryption technology. In order to develop new business, the Company expects to start the development of security encryption technology business in specific industries including but not limited to liquor security encryption technology and internet trading security technology in the second half year of 2016. The Company will provide “supplier to end customer” anti-counterfeiting and logistics tracking technologies to customers in related industries. The Company expects to extend its encryption technology to various new areas and obtain substantial income.

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.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Financial Position

The Group’s financial position is healthy. As at 30 June 2016, its net assets amounted to approximately RMB8,028,000 (31 December 2015: net liabilities of RMB51,524,000). The improvement was mainly due to the proceed from the issue of new shares of approximately RMB82,320,000 during the six months ended 30 June 2016. As at 30 June 2016, the Group had net current assets of approximately RMB7,218,000 (31 December 2015: net current liabilities of approximately RMB52,002,000). Current assets as at 30 June 2016 comprise inventories of approximately RMB164,000 (31 December 2015: RMB195,000), trade receivables of approximately RMB10,766,000 (31 December 2015: RMB5,228,000), other receivables of approximately RMB12,484,000 (31 December 2015: RMB3,150,000), and bank balances and cash of approximately RMB29,197,000 (31 December 2015: RMB9,914,000). Current liabilities as at 30 June 2016 comprise trade and other payables of approximately RMB17,143,000 (31 December 2015: RMB32,134,000), amounts due to directors of approximately RMB\$5,545,000 (31 December 2015: RMB8,795,000), income tax payable of approximately RMB1,000 (31 December 2015: RMB3,000), loan from a former minority shareholder of nil (31 December 2015: RMB6,853,000) and provision for claims of approximately RMB22,704,000 (31 December 2015: RMB22,704,000).

CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 30 June 2016 and 31 December 2015.

FINANCIAL RESOURCES

As at 30 June 2016, the Group had bank balances and cash of approximately RMB29,197,000. 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 cash position at 30 June 2016, and had a net deficiency at 31 December 2015, 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 2016.

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 2016, the Group had 53 full time employees, comprising 20 in administration and finance, 18 in research and development and customer services, 13 in sales, 1 in purchases, and 1 in quality control.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2016, 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 2016.

FOREIGN EXCHANGE EXPOSURE

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

LITIGATIONS

Details of the litigation are stated in provision for claims, note 11 to this Interim Report.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2016 and 31 December 2015.

SIGNIFICANT INVESTMENT HELD

The Group did not have any significant investment held as at 30 June 2016.

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 2016.

DISCLOSURE OF INTERESTS

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

As at 30 June 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%

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 30 June 2016.

(b) Interests discloseable under the SFO and substantial shareholders

So far as the Directors are aware, as at 30 June 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:

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
Principes MB Asset Management Corp.	Beneficial owner	11,416,000 H shares	5.70%	1.43%
Hu Xiao Rui	Beneficial owner	170,000,000 domestic shares	28.34%	21.25%
Zhang Tao	Beneficial owner	110,000,000 domestic shares	18.34%	13.75%
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%
Xu Wen	Beneficial owner	58,240,000 domestic shares	9.71%	7.28%

SHARE OPTION SCHEME

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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 interim results of the Company for the six months ended 30 June 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 was held on 6 July 2016 to rectify such continuing connected transactions as detailed in the Company's announcement dated 6 July 2016.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2016, 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 2016 (six months ended 30 June 2015: Nil).

DIRECTORS

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

By Order of the Board

Shenzhen Mingwah Aohan High Technology Corporation Limited

Li Qi Ming

Chairman

Shenzhen, the PRC, 4 August 2016