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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

2017
Interim Report

* For identification purpose only

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This report, for which the directors (the "Directors") of Shenzhen Mingwah Aohan High Technology Corporation Limited (the "Company", 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 2017, unaudited revenue was approximately RMB44,942,000, which represents a increase of approximately of 387.7% 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 2017 was approximately RMB1,834,000 (2016: RMB22,673,000). Such improvement is mainly attributable to (i) the increase in gross profit due to increase in revenue; and (ii) the decrease in professional fee included in general and administrative expenses.

- Loss per share of the Group was approximately RMB0.23 cents for the six months ended 30 June 2017.

To all shareholders,

The Board of Directors (the "Board") are pleased to announce the unaudited condensed consolidated financial results of the Group for the three months and six months ended 30 June 2017 together with comparative figures for the corresponding period ended 30 June 2016, 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 2017 and 30 June 2016

	Notes	**For the three months ended 30 June 2017 RMB'000 (Unaudited)**	For the three months ended 30 June 2016 RMB'000 (Unaudited)	**For the six months ended 30 June 2017 RMB'000 (Unaudited)**	For the six months ended 30 June 2016 RMB'000 (Unaudited)
Revenue	3	**16,871**	3,993	**44,942**	9,216
Cost of sales		**(14,726)**	(2,281)	**(36,558)**	(3,874)
Gross profit		**2,145**	1,712	**8,384**	5,342
Other income		**156**	608	**1,046**	799
Distribution and selling expenses		**(322)**	(167)	**(444)**	(401)
General and administrative expenses		**(5,447)**	(11,694)	**(10,932)**	(25,249)
Share of result of joint venture		**(4)**	—	**(4)**	—
Finance costs		**—**	(3,270)	**—**	(3,270)
Loss before taxation	5	**(3,472)**	(12,811)	**(1,950)**	(22,779)
Income tax credit/(expense)	6	**313**	—	**(13)**	—
Loss for the period		**(3,159)**	(12,811)	**(1,963)**	(22,779)
Other comprehensive income for the period		**61**	(56)	**(10)**	11
Total comprehensive income for the period		**(3,098)**	(12,867)	**(1,973)**	(22,768)
Loss attributable to:					
Owners of the Company		**(3,105)**	(12,742)	**(1,834)**	(22,673)
Non-controlling interests		**(54)**	(69)	**(129)**	(106)
		(3,159)	(12,811)	**(1,963)**	(22,779)
Total comprehensive income attributable to:					
Owners of the Company		**(3,044)**	(12,798)	**(1,844)**	(22,662)
Non-controlling interests		**(54)**	(69)	**(129)**	(106)
		(3,098)	(12,867)	**(1,973)**	(22,768)
Dividend	7	**—**	—	**—**	—
Loss per share					
— Basic (cents)	8	**(0.39)**	(1.59)	**(0.23)**	(3.03)
— Diluted (cents)	8	**N/A**	N/A	**N/A**	N/A

Unaudited Condensed Consolidated Statement of Financial Position

At 30 June 2017 and 31 December 2016

	Note	**2017 RMB'000 (Unaudited)**	2016 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**1,714**	1,252
Intangible assets		**11,635**	12,542
Interest in joint venture		**4,996**	—
		18,345	13,794
Current assets			
Inventories		**52,679**	349
Trade receivables	9	**26,016**	27,791
Other receivables		**28,696**	16,568
Bank balances and cash		**6,665**	14,613
		114,056	59,321
Current liabilities			
Trade and other payables	10	**92,243**	31,105
Amounts due to directors		**130**	325
Amount due to a former director		**4,478**	4,478
Income tax payable		**8**	219
Amount due to a shareholder		**527**	—
Provision for claims	11	**22,704**	22,704
		120,090	58,831
Net current (liabilities)/assets		**(6,034)**	490
Total assets less current liabilities		**12,311**	14,284
Net assets		**12,311**	14,284

Unaudited Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2017 and 31 December 2016

	Note	2017 RMB'000 (Unaudited)	2016 RMB'000 (Audited)
Capital and reserves			
Share capital	12	**80,000**	80,000
Reserves		**(66,986)**	(65,142)
Equity attributable to owners of the Company		**13,014**	14,858
Non-controlling interests		**(703)**	(574)
Total equity		**12,311**	14,284

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017 and 30 June 2016

	Attributable to owners of the Company								
	Share capital RMB'000 (Unaudited)	Share premium RMB'000 (Unaudited)	Statutory surplus reserve RMB'000 (Unaudited)	Statutory public welfare fund RMB'000 (Unaudited)	Translation reserve RMB'000 (Unaudited)	Accumulated losses RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
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 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
At 1 January 2017	**80,000**	**71,974**	**5,954**	**2,978**	**(386)**	**(145,662)**	**14,858**	**(574)**	**14,284**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**(10)**	**(1,834)**	**(1,844)**	**(129)**	**(1,973)**
At 30 June 2017	**80,000**	**71,974**	**5,954**	**2,978**	**(396)**	**(147,496)**	**13,014**	**(703)**	**12,311**

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017 and 30 June 2016

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(2,630)**	(63,037)
Net cash used in investing activities	**(5,650)**	—
Net cash generated from financing activities	**332**	82,320
Net (decrease) increase in cash and cash equivalents	**(7,948)**	19,283
Cash and cash equivalents at beginning of the period	**14,613**	9,914
Cash and cash equivalents at end of the period — represented by bank balances and cash	**6,665**	29,197

Notes to the Condensed Financial Statements

For the period ended 30 June 2017

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, application systems and trading of liquor products 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 2016.

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	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Sales of card products	**4,872**	3,163	**11,441**	7,971
Sales of non-card products	**479**	830	**986**	1,245
Sales of liquor products	**11,520**	—	**32,515**	—
	16,871	3,993	**44,942**	9,216

4. SEGMENTAL INFORMATION

Business segments

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

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

4. SEGMENTAL INFORMATION (Continued)

Segmental information about the business is presented below:

For the six months ended 30 June 2017

	Card products RMB'000 (Unaudited)	Non-card products RMB'000 (Unaudited)	Liquor products RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
Segment revenue				
Sales to external customers	11,441	986	32,515	44,942
Segment results	1,074	(2,627)	371	(1,182)
Unallocated corporates income and expense				(768)
Loss from operations				(1,950)
Finance costs				—
Loss before taxation				(1,950)

4. SEGMENTAL INFORMATION (Continued)

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 income and expense			(5,917)
Loss from operations			(19,509)
Finance costs			(3,270)
Loss before taxation			(22,779)

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	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	**2017 RMB'000 (Unaudited)**	2016 RMB'000 (Unaudited)
Depreciation of property, plant and equipment	**108**	41	**182**	145
Amortisation of intangible assets (included in cost of sales)	**453**	—	**907**	—

6. INCOME TAX (CREDIT)/EXPENSE

The (credit)/expense represents enterprise income tax in the PRC.

	For the three months ended 30 June		For the six months ended 30 June	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
PRC enterprise income tax				
Current period	**(313)**	—	**13**	—

PRC enterprise income tax of the Group is calculated at the applicable rate of 25% (2016: 25%) on estimated assessable profits.

The Group does not have any significant unprovided deferred taxation for the six months ended 30 June 2017 (2016: 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 2017 (2016: Nil).

8. LOSS PER SHARE

The calculation of the basic loss per share for the six months ended 30 June 2017 is based on the unaudited net loss attributable to owners of the Company for the relevant period of approximately RMB1,834,000 (2016: RMB22,673,000) and the weighted average number of 800,000,000 shares (2016: 747,692,308 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 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
1 to 90 days	**7,504**	22,914
91 to 180 days	**12,759**	2,147
181 to 365 days	**319**	1,640
Over 365 days	**5,434**	1,090
	26,016	27,791

Included in the Group's trade receivables balance are debtors with a carrying amount of approximately RMB18,512,000 (2016: RMB4,877,000) 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 and other payables at the reporting date:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
1–90 days	**3,380**	15,700
91–180 days	**70,649**	10
181–365 days	**326**	—
Over 365 days	**2,354**	1,734
Trade payables	**76,709**	17,444
Value-added tax payable	**—**	8,644
Accrued expenses and other payables	**15,534**	5,017
	92,243	31,105

The fair value of the Group's trade and other payables at 30 June 2017 approximates to the corresponding carrying amount.

11. PROVISION FOR CLAIMS

	RMB'000
At 1 January 2016, 31 December 2016 (audited) and 30 June 2017 (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 who resigned as an executive director of the Company on 31 March 2017, 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.

On 17 June 2016, an enforcement of judgment was issued by Intermediate People's Court of Shenzhen City Guangdong Province (the "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. Negotiations are being carried out between the Company and the Claimant, but no settlement was reached up to the date of this report. A provision of approximately RMB19,008,000 for this claim was made in prior year.

On 13 March 2017, the Claimant obtained an assistant enforcement order 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. Details of the incident, please refer to the Company's announcement dated 24 March 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. A provision of approximately RMB3,696,000 for this claim was made in prior year.

12. SHARE CAPITAL

	Number of shares '000	Nominal value Domestic shares RMB'000	H shares RMB'000	Total RMB'000
Registered, issued and fully paid:				
At 31 December 2016 (Audited) and at 30 June 2017 (Unaudited)	800,000	59,980	20,020	80,000

13. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2017 and 31 December 2016.

14. CAPITAL COMMITMENTS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Capital contribution to joint ventures	**5,000**	10,000
Capital contribution to a subsidiary	**3,000**	3,000
	8,000	13,000

15. 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:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within one year	**1,169**	1,191
In the second to fifth years inclusive	**438**	1,007
	1,607	2,198

16. 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:

		For the three months ended 30 June		**For the six months ended 30 June**	
Name of related party	Nature of transactions	**2017 RMB'000 (Unaudited)**	2016 RMB'000 (Unaudited)	**2017 RMB'000 (Unaudited)**	2016 RMB'000 (Unaudited)
Shenzhen Mingwah Aohan Smart Card Corporation Ltd. (深圳市明華澳漢智能卡有限公司)	Sales of goods	**248**	–	**563**	–

16. RELATED PARTY AND CONTINUING CONNECTED TRANSACTIONS (Continued)

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

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

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

17. EVENTS AFTER THE REPORTING PERIOD

After the reporting period and on 7 July 2017, the Company entered into a placing agreement (the "Placing Agreement") with Fulbright Securities Limited (the "Placing Agent") and a subscription agreement (the "Subscription Agreement") with Googut Wine & Spirits Trading Company Limited (the "Subscriber") a wholly owned subsidiary of Googut. Pursuant to the Placing Agreement, the Company conditionally agreed to allot and issue, and the Placing Agent has conditionally agreed to procure, on a best effort basis, not less than six placees to subscribe for up to 52,000,000 new H Shares (the "Placing Shares") at the placing price of HK$0.60 per placing Share (the "Placing"). Pursuant to the Subscription Agreement, the Subscriber conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, a total of 108,000,000 new H Shares (the "Subscription Shares") at the subscription price of HK$0.60 per Subscription Share (the "Subscription"). The Placing Shares and Subscription Shares are to be issued under the Specific Mandate to be sought at the EGM and the Class Meetings. The Company intends to use the proceeds from the Placing and the Subscription for further developing its Wine Business, investing in existing information technology business and use as general working capital.

On the same date as the Placing Agreement and the Subscription Agreement, Googut and the Company entered into a strategic cooperation agreement (the "Strategic Cooperation Agreement"), pursuant to which, the Company and Googut agreed on the strategic cooperation that upon the completion of the Subscription, the Company will develop and further enhance its wine business, and Googut will provide its expertise in operation and assist the Group in managing its Wine Business.

For further details of the Placing, the Subscription, the Strategic Cooperation Agreement and the use of proceeds from the Placing and the Subscription, please refer to the announcement of the Company dated 7 July 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operations Review

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

The Card and Related Products Business

The Company intends to sustain its customer base of its Card and Related Products Business in media and entertainment industry, internet finance industry and precision instrument industry. Based on the Company's mature technology as core strength and its long established reputation in the market, the Company recorded a growth in revenue from its Card and Related Products Business in the financial period under review. Revenue of approximately RMB12,427,000 attributable to the Card and Related Products Business for the six months ended 30 June 2017 were mainly derived from two contracts for its application system and one contract for its CPU smart cards.

The Wine Business

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

For furtherance of its Wine Business, the Group has entered into strategic partnership with Googut Wine & Spirits Co, Ltd ("Googut", together with its subsidiaries the "Googut Group") towards the end of 2016 to form two joint venture companies (the "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. As at the date of this report, the formation of the joint venture company in PRC has not been completed.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

To further cooperation between the Group and the Googut Group, the Company entered into the Memorandum of Understanding on 15 June 2017 relating to the cooperation with Googut in the alcoholic beverages business (the "MOU"). Both parties plan to initiate close strategic cooperation in the alcoholic beverages business, which includes: (i) Googut to share the alcohol trading business channel with the Company; (ii) the Company to share capital market experience; (iii) increase investment in existing Joint Venture Companies, which are investing and trading in alcoholic beverages; (iv) to strengthen the storage, logistic ability and network in strategic locations (i.e. first and second tier cities in the PRC); and (v) to cooperate in the investment in vintage fine wine. It would be initially a three-year strategic cooperation from the date of the MOU with an option to extend on the same terms for a further three years.

The Wine Business of the Group has recorded strong growth during the first half year of 2017 and has become the major revenue stream of the Group and contributed a significant portion to the Group's profit. The Group has entered into three sales contracts for Chinese white wine Maotaijiu (茅台酒) with a new customer in the first half year of 2017. The Wine Business has made a significant contribution to the Group's revenue accounting for approximately RMB32,515,000, representing approximately 72.4% of the Group's revenue for the six months ended 30 June 2017.

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

Financial Review

The Group's revenue of the six months ended 30 June 2017 was approximately RMB44,942,000, representing an increase of approximately 387.7% as compared with approximately RMB9,216,000 recorded in last corresponding period.

Because of the increase in sales, for the six months ended 30 June 2017, the Group's cost of sales increased to approximately RMB36,558,000 (2016: RMB3,874,000). The gross profit for the six months ended 30 June 2017 was approximately RMB8,384,000 (2016: RMB5,342,000). The gross profit margin was approximately 18.7% (2016: 58.0%). The underlying reason for such decrease was mainly due to increase in sales of liquor products which were with lower profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

When compared to the corresponding period last year, the distribution and selling expenses increased by 10.7% to approximately RMB444,000 (2016: RMB401,000) mainly due to increase in staff cost. The general and administrative expenses decreased by 56.7% to approximately RMB10,932,000 (2016: RMB25,249,000) mainly due to professional fees for resumption of trading of shares incurred for the corresponding period last year under review. The finance costs for the period amounted to approximately RMBNil (2016: RMB3,270,000). The decrease was mainly due to the payment of overdue interest for the settlement of loan due to a former minority shareholder in the corresponding period last year.

For the six months ended 30 June 2017, the Group's loss attributable to owners of the Company was approximately RMB1,834,000 (2016: RMB22,673,000).

Prospect

The Group expects that market for CPU smart cards will continue to grow moderately for people are putting more emphasis on the security of private data. In view of the moderate development of the Group's Card and Related Products Business and premised on its mature data encryption technology, the Group expects to maintain its existing operation in relation to CPU smart cards and other card products despite keen competition in such industry. It is the Group's intention to maintain its operation targeting internet finance, media and entertainment and precision instrument industries which require high standard of security. Going forward, the Group will also explore business opportunities in the IT and related technology sector.

On the other hand, leveraging on the expertise, experience and resources of its joint venture partner, Googut, it is expected that the Wine Business will continue to show healthy growth. In view of the rapid development of the Group's Wine Business as mentioned above, the Group looks forward to expanding the operation of this segment and divesting more resources to develop its Wine Business. As detailed in note 17 to this interim report, on 7 July 2017, (i) the Company has entered into the Placing Agreement with the Placing Agent in relation to the placing of up to 52,000,000 new H Shares to not less than six(6) Placees at the Placing Price of HK$0.60 per Placing Share; (ii) the Company has entered into the Subscription Agreement with the Subscriber, a wholly owned subsidiary of Googut, in relation to the subscription of an aggregate of 108,000,000 new H Shares by the Subscriber at the subscription price of HK$0.60 per Subscription Share. Assuming the maximum number of the Placing Shares are placed, the gross proceeds under the Placing and the Subscription are expected to be approximately HK$96,000,000, and the net proceeds of the Placing and the Subscription (after deducting related placing commission, professional fees and related expenses payable by the Company) are estimated to be approximately HK$91,953,000.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The Company intends to use the proceeds from the Placing and the Subscription and other resources available to the Group from time to time to further develop its existing principal businesses with focus on aspects including: (i) upgrading the marketing, branding, procurement and distribution in its Wine Business; (ii) expanding the operation of its Wine Business; (iii) investing in vintage fine wines; and (iv) expanding and investing in the existing technology business of the Group.

In addition, the Company has also entered into the Strategic Cooperation Agreement with Googut on 7 July 2017. Pursuant to the Strategic Cooperation Agreement, the Company and Googut agreed on the strategic cooperation that upon the completion of the Subscription, the Company will develop and further enhance its Wine Business, and the Googut Group will provide its expertise in operation and assist the Group in managing its wine business. The objectives of the Strategic Cooperation Agreement include: (i) sharing of alcohol trading channel by the Googut Group; (ii) increasing investment in joint venture companies by both parties and provision of financial assistance by the Googut Group; (iii) provision of assistance in relation to equity investment in alcohol industry by the Googut Group; and (iv) provision of assistance by the Googut Group in relation to the Group's intended investment in vintage fine wine.

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 2017, its net assets amounted to approximately RMB12,311,000 (31 December 2016: RMB14,284,000). The net assets decreased was mainly due to the loss incurred during the six months ended 30 June 2017. As at 30 June 2017, the Group had net current liabilities of approximately RMB6,034,000 (31 December 2016: net current assets of approximately RMB490,000). The significant increase of approximately RMB54,735,000 in current assets at 30 June 2017 was primarily due to the increase in inventories (mainly are liquor products) of approximately RMB52,330,000 and related VAT receivables (included in other receivables) arising from the Wine Business. Current assets as at 30 June 2017 comprise inventories of approximately RMB52,679,000 (31 December 2016: RMB349,000), trade receivables of approximately RMB26,016,000 (31 December 2016: RMB27,791,000), other receivables of approximately RMB28,696,000 (31 December 2016: RMB16,568,000), and bank balances and cash of approximately RMB6,665,000 (31 December 2016: RMB14,613,000). Current liabilities as at 30 June 2017 comprise trade and other payables of approximately RMB92,243,000 (31 December 2016: RMB31,105,000), amounts due to directors of approximately RMB130,000 (31 December 2016: RMB325,000), amount due to a former director RMB4,478,000 (31 December 2016: RMB4,478,000), income tax payable of approximately RMB8,000 (31 December 2016: RMB219,000), Amount due to a shareholder of approximately RMB527,000 (31 December 2016: RMBNil) and provision for claims of approximately RMB22,704,000 (31 December 2016: RMB22,704,000).

CAPITAL COMMITMENTS

Details of capital commitments were set out in note 14 to this interim report.

FINANCIAL RESOURCES

As at 30 June 2017, the Group had bank balances and cash of approximately RMB6,665,000. 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 2017 and 31 December 2016, 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 2017.

SEGMENTAL INFORMATION

An analysis of the Group's revenue and results by products for the six months ended 30 June 2017 is set out in note 4 to this Interim Report.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 30 June 2017, the Group had 45 full time employees, comprising 19 in administration and finance, 11 in research and development and customer services and 15 in sales.

Remuneration policy has been consistently applied by the Group as disclosed in the 2016 annual report of the Company.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2017, 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 2017.

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 2017 and 31 December 2016.

SIGNIFICANT INVESTMENT HELD

The Group did not have any significant investment held as at 30 June 2017.

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 2017.

DISCLOSURE OF INTERESTS

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

Mr. Li Qi Ming, who resigned as an executive director of the Company on 31 March 2017, has interests in 172,640,000 domestic shares of the Company representing approximately 28.78% of the 599,800,000 issued domestic shares of the Company as at the date of this report. 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 2017.

(b) Interests discloseable under the SFO and substantial shareholders

So far as the Directors are aware, as at 30 June 2017, 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:

DISCLOSURE OF INTERESTS (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
Li Qi Ming (Note 1)	Beneficial owner	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%
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%

Note:

1. Mr. Li Qi Ming resigned as an executive director with effect from 31 March 2017, and all his shares were frozen for transfer, details of which were set out in the Company's announcement dated 24 March 2017.

SHARE OPTION SCHEME

The Company has not granted or issued any option or adopted any share option scheme up to 30 June 2017.

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. After the appointment of Mr. Lau Shu Yan as a member of the audit committee of the Company (the "Audit Committee") on 20 April 2017, the Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Gao Xiang Nong, Mr. Yu Xiuyang and Mr. Lau Shu Yan.

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 2017, which is of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules and legal requirements and that adequate disclosure have been made.

CORPORATE GOVERNANCE

Save as otherwise disclosed in this interim report, 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

Since resignation of Mr. Chen Hong Lei on 14 November 2016, the Audit Committee comprises 2 independent non-executive Directors, which constitutes a non-compliance of the requirement for a minimum of 3 members for a audit committee under Chapter 5 of the GEM Listing Rules. After the appointment of Mr. Lau Shu Yan as a member of the Audit Committee on 20 April 2017, the Company is in compliance with rule 5.28 of the GEM Listing Rules.

Since resignation of Mr. Li Qi Ming on 31 March 2017 as an executive Director, an authorised representative and compliance officer of the Company, the Company had only one authorised representative and no compliance officer, which constitutes a non-compliance of the requirement of rule 5.24 of the GEM Listing Rules that the Company must at all times have 2 authorised representatives and rule 5.19 of the GEM Listing Rules that the Company must at all times have one of its executive Directors acting as the compliance officer. After the appointment of Mr. Liu Guo Fei as an authorised representative and the compliance officer of the Company with effect from 6 April 2017, the Company is in compliance with rules 5.24 and 5.19 of the GEM Listing Rules.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2017, 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 2017 (six months ended 30 June 2016: Nil).

DIRECTORS

As at the date hereof, the executive Directors are Mr. Liu Guo Fei, Ms. Wang Hong and Mr. Zhang Tao; the non-executive Directors are Mr. Zhou Liang Hao and Mr. Chan Ngai Fan; and the independent non-executive Directors are Mr. Gao Xiang Nong, Mr. Yu Xiuyang and Mr. Lau Shu Yan.

By Order of the Board
Shenzhen Mingwah Aohan High Technology Corporation Limited
Liu Guo Fei
Chief Executive Officer

Shenzhen, the PRC, 31 July 2017