SMIT HOLDINGS LIMITED
國微技術控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2239)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the "**Board**") of SMIT Holdings Limited (the "**Company**") hereby announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2016 (the "**Review Period**") together with the comparative figures for the corresponding period in 2015.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Unaudited	
		Six months ended	
		30 June	**30 June**
	Note	**2016**	**2015**
		USD	*USD*
Revenue	3	26,943,672	34,671,169
Cost of sales		(15,585,891)	(22,736,239)
Gross profit		11,357,781	11,934,930
Other gains/(losses), net	4	743,602	(30,739)
Other income	4	460,302	874,475
Research and development expenses	5	(3,269,581)	(3,234,142)
Selling and distribution expenses	5	(1,629,887)	(1,641,165)
General and administrative expenses	5	(5,188,295)	(4,135,987)
Operating profit		2,473,922	3,767,372
Finance income		83,312	90,619
Finance cost		—	(38,659)
Finance income — net		83,312	51,960
Profit before income tax		2,557,234	3,819,332
Income tax expense	6	(603,909)	(669,054)
Profit for the period attributable to owners of the Company		1,953,325	3,150,278
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Translation differences		(1,376,691)	110,485
Fair value gain on available-for-sale financial assets, net of tax		—	529,034
Reserve released on settlement of available-for-sale financial assets, net of tax		—	(503,746)
Total comprehensive income for the period attributable to owners of the Company		576,634	3,286,051
Earnings per share			
– Basic	7	0.007	0.014
– Diluted	7	0.007	0.013

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Note	**Unaudited 30 June 2016** *USD*	**Audited 31 December 2015** *USD*
ASSETS			
Non-current assets			
Property, plant and equipment		2,091,134	2,365,533
Other intangible assets		300,473	490,661
Goodwill		6,473,973	6,611,157
Prepayments and other receivables		214,449	208,529
Deferred income tax assets		1,971,239	2,093,095
		11,051,268	11,768,975
Current assets			
Inventories		4,806,245	7,471,869
Trade and other receivables	9	14,742,866	25,416,236
Income tax recoverable		308,022	308,022
Cash and cash equivalents		75,329,178	33,972,375
		95,186,311	67,168,502
Total assets		106,237,579	78,937,477
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		6,023	3,049
Share premium		97,326,803	63,331,486
Merger reserve		(48,810,141)	(48,810,141)
Share-based payment reserve		20,524,879	20,894,252
Statutory reserve		3,389,227	3,389,227
Retained earnings		21,426,784	19,473,459
Capital reserve		1,212,543	1,212,543
Exchange reserve		1,306,294	2,682,985
Total equity		96,382,412	62,176,860

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 30 June 2016

	Note	**Unaudited 30 June 2016** *USD*	**Audited 31 December 2015** *USD*
LIABILITIES			
Current liabilities			
Trade payables	10	3,323,125	7,881,504
Other payables and accruals		3,847,568	5,829,539
Deferred revenue		1,293,959	1,552,507
Income tax payable		1,390,515	1,497,067
Total liabilities		9,855,167	16,760,617
Total equity and liabilities		106,237,579	78,937,477

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. General information

SMIT Holdings Limited (the "Company") and its subsidiaries (together the "Group") are engaged in the development and sales of conditional access modules ("CAM") and mobile point-of-sales ("mPOS") devices that enable secure distribution and delivery of digital content to television and secure mobile payment transactions respectively.

The Company and other companies now comprising the Group have undergone a reorganisation which was completed on 13 November 2015. Details of the reorganisation were stated in the accountant's report in the prospectus issued by the Company on 16 March 2016.

2. Basis of preparation and principal accounting policies

This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the accountant's report in the prospectus issued by the Company on 16 March 2016, which were prepared in accordance with Hong Kong Financial Reporting Standards.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements.

HKAS 1 (Amendment)	Disclosure initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation
HKAS 16 and HKAS 41 (Amendment)	Agriculture: bearer plants
HKAS 27 (Amendment)	Equity method in separate financial statements
HKFRS 10, HKFRS12 and HKAS 28 (Amendment)	Investment entities: applying the consolidation exception
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations
HKFRS 14	Regulatory deferral accounts
Annual improvements projects 2014	Annual improvements 2012-2014 cycle

These amended standards have not had a significant impact on the Group's condensed consolidated interim financial information for the six months ended 30 June 2016.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3. **Turnover**

Turnover recognized during the period is as follows:

	Unaudited Six months ended	
	30 June 2016	**30 June 2015**
	USD	*USD*
CAM	18,642,045	20,371,506
mPOS devices	8,301,627	14,299,663
Total sales of goods	26,943,672	34,671,169

4. **Other gains/(losses), net and other income**

	Unaudited Six months ended	
	30 June 2016	**30 June 2015**
	USD	*USD*
Other gains/(losses), net		
- Exchange gains/(losses)	743,602	(30,739)
Other income		
- Government grants	409,108	335,816
- Gain on settlement of available-for-sale financial assets	—	537,312
- Others	51,194	1,347
	460,302	874,475

5. Expenses by nature

	Unaudited Six months ended 30 June 2016 *USD*	30 June 2015 *USD*
Auditors' remuneration – audit services	161,948	31,492
Advertising costs	563,584	396,138
Cost of inventories	12,747,699	19,653,458
Employee benefit expenses (including directors' emoluments)	4,510,209	4,862,277
Royalty expenses	1,809,612	1,728,766
Amortisation of intangible assets	109,224	172,287
Depreciation of property, plant and equipment	308,532	334,515
Legal and professional fees	389,174	113,241
Operating lease payments	561,038	585,849
Provision for impairment of trade receivables	25,130	147,652
Provision for impairment of inventories	355,139	557,498
Travelling and entertainment expenses	649,105	738,131
Listing expenses	1,908,416	778,311
Other expenses	1,574,844	1,647,918
	25,673,654	31,747,533
Representing:		
Cost of sales	15,585,891	22,736,239
Research and development expenses	3,269,581	3,234,142
Selling and distribution expenses	1,629,887	1,641,165
General and administrative expenses	5,188,295	4,135,987
	25,673,654	31,747,533

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the period.

Taxation on profits generated in the PRC has been calculated on the estimated assessable profit for the period at the rate of 15% (2015: 15%). Taxation on overseas profit has been calculated on the estimated assessable profits for the period at the applicable rates of taxation prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

In 2015, SMiT Shenzhen was also approved as a High/New Technology Enterprise as defined under the New EIT Law, accordingly, it is entitled to a reduced preferential EIT rate at 15% ("HNTE Preferential Tax Rate") for a 3-year period from 2014 to 2016. An EIT tax rate at 15% was applied for six months ended 30 June 2015 and 30 June 2016.

The amount of income tax charged to the condensed consolidated income statement represented:

	Unaudited	
	Six months ended	
	30 June 2016	**30 June 2015**
	USD	*USD*
Current income tax		
- PRC corporate income tax	506,922	940,090
Deferred income tax	96,987	(271,036)
Total income tax expense	603,909	669,054

7. Earnings per share

For the purpose of computing basic and diluted earnings per share, ordinary shares were assumed to have been issued and allocated on 1 January 2015 as if the Company had been established by then.

Basic earnings per share are calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares deemed to be in issue during the six months ended 30 June 2016 and 2015:

	Unaudited Six months ended 30 June 2016 *USD*	**Unaudited Six months ended 30 June 2015** *USD*
Profit attributable to owners of the Company	1,953,325	3,150,278
Weighted average number of ordinary shares in issue	263,821,525	225,000,000
Basic earnings per share	0.007	0.014

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the respective year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	Unaudited Six months ended 30 June 2016 *USD*	**Unaudited Six months ended 30 June 2015** *USD*
Profit attributable to owners of the Company	1,953,325	3,150,278
Weighted average number of ordinary shares in issue	263,821,525	225,000,000
Adjustments for share options	13,083,765	13,917,734
Weighted average number of ordinary shares for diluted earnings per share	276,905,290	238,917,734
Diluted earnings per share	0.007	0.013

8. Dividend

No dividend has been paid or declared by the Company.

9. Trade and other receivables

	Unaudited 30 June 2016 *USD*	Audited 31 December 2015 *USD*
Trade receivable – net of provision	13,339,040	23,798,884
Other receivables	1,403,826	1,617,352
	14,742,866	25,416,236

The Group's credit terms granted to wholesale customers generally ranged from 30 to 180 days.

An analysis of the trade receivables, net of provision, by age is as follows:

	Unaudited 30 June 2016 *USD*	Audited 31 December 2015 *USD*
Less than 30 days	5,867,906	4,409,608
31 to 60 days	465,061	3,224,895
61 to 90 days	125,640	1,290,904
91 to 180 days	6,624,584	9,497,527
181 to 365 days	211,035	5,321,469
Over 365 days	44,814	54,481
	13,339,040	23,798,884

10. Trade payables

Trade payables are aged as follows:

	Unaudited 30 June 2016 *USD*	Audited 31 December 2015 *USD*
Less than 30 days	3,088,582	4,248,186
31 to 90 days	177,117	3,508,005
91 to 180 days	4,851	45,618
181 to 365 days	9,593	8,962
Over 365 days	42,982	70,733
	3,323,125	7,881,504

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is a leading security devices provider globally for pay TV broadcasting access and for mobile point-of-sales, or mPOS, payment systems in China. The Group designs, develops and markets security devices primarily for the pay TV industry worldwide through sales of conditional access module, or CAM, products which provide end users with access to pay TV content. The group also develops and markets mobile point-of-sale, or mPOS devices for the hardware-based mobile payment industry in China, which enable users to make credit and debit card transactions with mobility using their smartphones or tablets rather than a traditional stationary POS terminal.

On 30 March 2016, the shares of the Company were listed (the "**Listing**") on the Main Board of the Stock Exchange.

CAMs

Over the past few years, the growth of the market for CAM solutions has been driven by the continued digitisation of television broadcasting around the world. However, in the past half year, the overall CAM market has performed below expectations mainly due to the economic slowdown in the PRC and enduring poor market conditions in Russia. In the first half of 2016, the Group's CAM sales recorded revenue of approximately US$18.6 million, representing a decrease of 8% when compared to the first half of 2015, and accounted for 69.2% of total revenue of the Group (the corresponding period in 2015: 58.8%). The Russian market was affected by the persistence of an economic slowdown which led to a sluggish overall market as well as a slowdown in the development of the digitisation process in Russia. As a result, the sales volume during the first half of 2016 decreased compared to the first half of 2015 and revenue from the Russian market recorded a decrease of 39.7% compared to the first half of 2015. In the PRC, the local economic downturn resulted in a decrease in sales volume. As such, revenue from the PRC sales of CAM products during the Review Period decreased by 53.4%, compared to the corresponding period in 2015. Revenue from other regions during the first half of 2016 represented 2.9% of the total revenue of the Group and declined by 44.3% compared to the first half of 2015, due to poor economic conditions in various regions.

However, the gross profit margin of the Group's CAMs products increased by approximately four percentage points resulting in a slight increase in gross profit when compared to the first half of 2015. This was primarily due to strong sales in the European market, which is the core geographical market for CAM sales.

During the period, the Group achieved sound performance in the European market, as major customers resumed purchasing after a period of transition in 2015, the Group obtained new customers and the development of terrestrial television broadcast systems created new business opportunities, which exerted a positive effect on sales volume and revenue. The revenue from CAM sales in Europe in the first half of 2016 increased by 29.2%, compared to the first half of 2015.

During the Review Period, the Group actively sought out new customers and business opportunities. In June 2016, the Group, together with Irdeto, a major conditional access provider, supplied CAMs to MEDIA BROADCAST, a German broadcasting operator which is launching the first commercial television channels on the German digital terrestrial broadcasting system. This is part of Germany's conversion to DVB-T2, the new terrestrial broadcasting system standard. Germany is currently leading the European market in this conversion, and by producing and selling compatible CAM products at this early stage, the Group has positioned itself as an industry leader. These CAM products also represent the rollout of the Group's new generation of 1680 chipsets, with improved processing capacity, security and greater support functionality.

Moreover, the Group also collaborated with Irdeto to obtain RCSRDS, a new major broadcasting operator customer in Romania, providing a cardless solution developed based on the Group's 1670 chipset and Irdeto's advanced security standards. This cardless solution also supports the customer's own customized features, such as parental rating and menu/screen displays. The Company will continue to co-operate with industry partners so as to constantly explore new business opportunities as CAM technology continues to develop.

mPOS

During the Review Period, the PRC government published a policy regarding regulations on risks associated with non-bank payment institutions, which affects mobile payment service providers like our mPOS customers. This policy was instituted across various government entities and is aimed at improving the quality of payment services and reducing risks in the industry. There were concerns about whether this policy may reduce flexibility in mobile payment services and the opportunity for growth. Because of the uncertainties surrounding the policy, mobile payment service providers, including those who buy mPOS devices from the Group, slowed down their business in anticipation of further developments, which meant they reduced their orders for mPOS products in the meantime.

As a result, the Group's sales volume for mPOS products during the first half of 2016 was considerably reduced and revenue from mPOS products in the first half of 2016 decreased 41.9% compared to the first half of 2015, and accounted for only 30.8% of total revenue of the Group (the corresponding period in 2015: 41.2%). Additionally, during the first half of 2016, the Group sold a greater proportion of an mPOS model with a lower selling price, thus decreasing the average selling price and reducing revenue.

During the Review Period, the Group and Bank of Urumqi jointly developed the Xuelianbao Facilitated Service Project (雪蓮寶便民專案) and successfully launched it to the market. It is the Group's first joint project with a traditional commercial bank, which provides equipment support for the bank's online to offline payment systems. The Group believes that traditional commercial banks represent a considerable opportunity for future growth in its mPOS business.

Additionally, in light of the continually diversifying landscape of payment options and evolving customer needs, the Group is actively developing new products such as an intelligent cash register and intelligent POS, in order to further broaden the customer base.

Financial Review

Revenue

For the six months ended 30 June 2016, revenue of the Group was US$26.9 million (the corresponding period in 2015: US$34.7 million). The following table shows revenue breakdown by business segment as follows:

	Six months ended 30 June				
	2016		2015		
	US$'000,000	**%**	US$'000,000	%	Change in %
CAMs	**18.6**	**69.2%**	20.4	58.8%	-8.5%
mPOS devices	**8.3**	**30.8%**	14.3	41.2%	-41.9%
	26.9	**100%**	34.7	100%	-22.3%

During the Review Period, revenue of the Group decreased by 22.3% when compared to the corresponding period in 2015, mainly due to reduced orders of mPOS products resulting from industry stagnation in response to new PRC regulations.

Gross Profit and Gross Profit Margin

Gross profit amounted to US$11.4 million for the six months ended 30 June 2016, representing a decrease of US$0.6 million when compared to the corresponding period in 2015. The gross profit margin increased from 34.4% in the corresponding period in 2015 to 42.2%, mainly due to increased gross profit margins in both mPOS and CAM products. The model of the majority of mPOS products sold during first half of 2016 had a greater gross profit margin compared to the model most sold in the first half of 2015. The gross profit margin for CAMs increased during the Review Period due to a greater percentage of revenue being derived from Europe, where selling prices are generally higher than the Group's overall average CAM selling price.

Research and Development Expenses

Research and development expenses include mainly salaries and benefits of our research and development staff, rental and office expenses, CA certification fees, professional service fees and transportation and lodging. During the Review Period, research and development expenses slightly increased by 1.1% from US$3.2 million to US$3.3 million, mainly due to additional allocation of resources to research and develop improvements for existing products and to create new products, as well as an increase in testing certification fees.

Selling and Distribution Expenses

Selling and distribution expenses include mainly salaries and benefits of sales and marketing staff, marketing, training and promotion expenses, travel and entertainment and rental and office expenses. During the Review Period, selling and distribution expenses were US$1.6 million, approximately the same as the corresponding period in 2015, as the Group adapted and optimized its selling and distribution model to maintain efficiency.

General and Administrative Expenses

General and administrative expenses mainly include salaries and benefits of management, administrative and finance staff, share-based compensation for general and administrative staff, professional service fees, rental and office expenses, provision for doubtful debts, and travel and entertainment. During the Review Period, general and administrative expenses decreased slightly from US$3.4 million during the first half of 2015 to US$3.3 million during the first half of 2016, mainly due to a slight decrease in share-based compensation and provision for doubtful debts.

Income Tax Expense

For the Review Period, income tax expense consists of PRC corporate income tax and Hong Kong profits tax for our PRC and Hong Kong subsidiaries. Income tax expense decreased from US$0.7 million for the first half of 2015 to US$0.6 million for the first half of 2016, mainly due to the decrease in profit before tax of the Group.

Listing Expenses

For the six months ended 30 June 2016, the Group incurred non-recurring expenses relating to the Listing which amounted to US$1.9 million.

Profit for the Period

Profit for the period amounted to US$2.0 million, compared to US$3.2 million in the corresponding period in 2015. However, excluding the impact from Listing expenses, the Group recorded a profit of approximately US$3.9 million, which was relatively stable compared to the corresponding period in 2015.

Liquidity, Financial Resources and Debt Structure

During the Review Period, the Group continued to maintain a healthy liquidity position. As at 30 June 2016, total cash and cash equivalents of the Group amounted to US$75.3 million primarily (as at 31 December 2015: US$34 million). The Group's cash and cash equivalents were denominated in RMB and USD as at 30 June 2016. The Group recorded net current assets amounting to US$85.3 million (as at 31 December 2015: US$50.4 million). As at 30 June 2016, the Group's current ratio, calculated by dividing total current assets by total current liabilities, was 965.9% (as at 31 December 2015: 400.8%).

As at 30 June 2016, the Group did not have any other outstanding indebtedness, banking facilities or any outstanding or authorised but unissued debt securities, term loans, other borrowings or indebtedness in the nature of borrowing, acceptance credits, hire purchase commitments, mortgages and charges, contingent liabilities or guarantees outstanding. Therefore, a gearing ratio is not applicable.

Use of Net Proceeds from Listing

The aggregate net proceeds raised by the Company from the Listing through the issue of an aggregate of 75,000,000 new shares (the "**Offer Shares**") at the final offer price of HK$3.78 per Offer Share pursuant to the Global Offering referred to in the prospectus issued by the Company on 16 March 2016 (the "**Prospectus**"), after deduction of underwriting commissions and expenses directly attributable to the Global Offering, were approximately HK$251.60 million. Based on the net proceeds derived from the Global Offering, proposed application of net proceeds as stated in the Prospectus had been adjusted according to the principles as specified in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

During the period from 30 March 2016 (the "**Listing Date**"), being the date on which dealings in the shares of the Company first commenced in the Stock Exchange, to the date of this announcement, the net proceeds had been applied as follows:

Business objectives as stated in the Prospectus	**Percentage of proceeds as stated in the Prospectus**	**Use of proceeds adjusted according to the actual gross proceeds less estimated listing expense**	**Actual use of proceeds from the Listing Date to the date of this announcement**
		HK$ million	*HK$ million*
Product planning and research and development	40%	100.64	3.32
Sales and marketing expenditures	30%	75.48	—
Possible mergers and acquisitions	20%	50.32	—
Working capital and general corporate purposes	10%	25.16	—
	100%	251.60	3.32

Capital Commitments

As at 30 June 2016, the Group did not have any contracted but not provided for capital commitments (as at 31 December 2015: nil) or authorised but not contracted for capital commitments (as at 31 December 2015: nil).

Significant Investment, Material Acquisition and Disposal of Subsidiaries and Associated Companies

The Group did not hold any other significant investment nor make any material acquisition or disposal of subsidiaries during the Review Period.

Contingent Liabilities

As at 30 June 2016, the Group did not have any significant contingent liabilities.

Currency Risk and Management

The Group sales are primarily in Europe, in USD denominated transactions and the PRC, in RMB denominated transactions. Sales of CAMs of the Group were predominantly denominated in USD while sales of mPOS devices were denominated in RMB. The Group's costs of production are predominantly denominated in RMB.

During the Review Period, the Group did not enter any foreign currency forward contracts or use any derivative contracts to hedge against its exposure. The Group manages its currency risk by closely monitoring the movement of the foreign currency rates and may consider hedging significant foreign currency exposure should the need arise.

Employees and Remuneration Policy

As at 30 June 2016, the Group employed 253 employees (as at 31 December 2015: 261), of whom 245 were based in Shenzhen, five in Hong Kong and three in Munich, Germany. Staff costs (including salaries, social insurance, provident funds and share incentive plan) amounted to US$4.5 million in aggregate, representing 6.7% of total revenue of the Group during the Review Period.

The Group has entered into employment agreements with all of its full time employees. Certain senior management and key research and development personnel have signed confidentiality agreements and non-competition agreements with the Group. Each executive officer has agreed to hold, both during and after the time of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his or her employment duties, any confidential information, trade secrets or know-how of our company or the confidential information of any third party received by the Group. Additionally, each executive officer has agreed to be bound by non-competition restrictions for a period of two years following the term of his or her employment.

The Group's success depends on its ability to attract, retain and motivate qualified personnel. The Group is dedicated to the training and development of our employees. The Group leverages the resources of its research and development centre, research laboratories and project management team to ensure that each employee maintains a current skill-set through continuous training on topics ranging from technologies, solutions and services to clients, markets and the industry. The Group provides introductory training and orientation for all new employees, as well as on-the-job training to continually improve employees' technical, professional and management skills.

Outlook

Looking forward to the second half of this year, the risk of economic uncertainties will continue to exist. In particular, the Group's business may be affected by continued economic slowdown in various major markets, the possible consequences across Europe resulting from the Brexit referendum, as well as the lingering impact of the new PRC policy regulating mobile payment service providers.

In light of the business environment being full of challenges, the Group will continue to adjust its business strategy and proactively co-operate with industry partners and customers to develop new projects and business opportunities. The CAM solution supplied to MEDIA BROADCAST by the Group and Irdeto will help set the industry standard for CAM products as the DVB-T2 conversion rolls out across Europe. The Group plans to pursue similar opportunities and continue improving its research and development capabilities in order to further solidify its leading position in the global CAM market.

As for the mPOS market, the Group anticipates that the destabilising effect on the mobile payment service industry stemming from the new PRC regulatory policy will continue in the short-term. However, the Group anticipates that the mobile payment services industry will be able to recover as it adapts to the new standards in the long term. As a major supplier of mPOS devices in the PRC, the Group intends to leverage its position for further growth opportunities once the industry stabilises.

In anticipation of further developments in the mobile payments industry, the Group is continuing to develop mPOS products in accordance with international security standards. The Group's new generation of mPOS products are in the process of obtaining UnionPay certifications. Additionally, the Group has obtained EMV certification, an internationally recognized technical standard for payment devices, for its most commonly sold mPOS product model, in order to lay down a solid technological foundation for expansion to an overseas market.

Moreover, the Group plans to upgrade its mPOS security systems and develop new product models to support more diverse payment methods and other value-added features. The Group also intends to continue to strengthen our relationship with major mPOS customers while also pursuing new cooperative opportunities with commercial banks and other types of potential mPOS customers.

In order to further promote business development, the Group will actively seek suitable merger and acquisition opportunities so as to enhance its development capabilities for security devices and expand business to new products and service areas in order to bring greater returns to shareholders.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

Based on information that was publicly available to the Company and to the best knowledge of the Board, as at the date of this announcement, the Company maintained the prescribed public float of no less than 25% under the Listing Rules.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules as its own code of corporate governance since the Listing Date. The Company has complied with the code provisions of the CG Code set out therein except for the code provision A.2.1 of the CG Code throughout the period after the Listing Date and up to the date of this announcement.

Pursuant to CG Code provision A.2.1, the role(s) of chairman and chief executive should be separated and should not be performed by the same individual. As the duties of chairman and chief executive of the Company are performed by Mr. Huang Xueliang, the Company has deviated from the CG Code. The Board believes that it is necessary to vest the roles of chairman and chief executive in Mr. Huang Xueliang due to his extensive experience in the industry, personal profile and critical role in our Group and its historical development. The Board believes that the dual role arrangement provides strong and consistent leadership and allows for more effective planning and management of the Group. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED COMPANIES

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the Directors. Having made specific enquiries with all the Directors, the Company confirms that all the Directors have complied with the required standard as set out in the Model Code throughout the period after the Listing Date and up to the date of this announcement.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the Group's unaudited interim financial information for the six months ended 30 June 2016. At the request of the Board, the Company's external auditor, PricewaterhouseCoopers, has carried out a review of the unaudited interim financial information in accordance with Hong Kong Standard on Review Engagement 2410 issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim report of the Company will be dispatched to the shareholders of the Company and published on the Hong Kong Exchanges and Clearing Limited's website (www.hkexnews.hk) and the Company's website (www.smit.com.cn) in due course.

By order of the Board
SMIT Holdings Limited
Huang Xueliang
Chairman

Hong Kong, 4 August 2016

As at the date of this announcement, the executive Director is Mr. Huang Xueliang (chairman and chief executive officer); the non-executive Directors are Mr. Zeng Zhijie and Mr. Kwan, Allan Chung-yuen; and the independent non-executive Directors are Mr. Zhang Junjie, Mr. Woo Kar Tung, Raymond and Mr. Jin Yufeng.