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
Third Quarterly Report

* For identification purpose only

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 nine months ended 30 September 2017, unaudited revenue was approximately RMB55,768,000, which represents an increase of approximately of 237.4% as compared to that of the corresponding period in previous year. The profit attributable to owners of the Company for the nine months ended 30 September 2017 was approximately RMB735,000 (2016: loss of RMB21,566,000). Such improvement is mainly attributable to (i) increase in gross profit arising from increase in revenue; (ii) decrease in general and administrative expenses; (iii) a gain on disposal of subsidiary; and (iv) absence of finance costs.

- Earnings per share of the Group was approximately RMB0.09 cents for the nine months ended 30 September 2017.

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 nine months ended 30 September 2017 together with comparative figures for the corresponding periods ended 30 September 2016, as follows:

THE FINANCIAL STATEMENTS

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months and nine months ended 30 September 2017 and 30 September 2016

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	**2017 RMB'000 (Unaudited)**	2016 RMB'000 (Unaudited)
Revenue	3	**10,826**	7,315	**55,768**	16,531
Cost of sales		**(5,553)**	(2,475)	**(42,111)**	(6,349)
Gross profit		**5,273**	4,840	**13,657**	10,182
Other income		**1**	166	**1,047**	965
Distribution and selling expenses		**(294)**	(172)	**(738)**	(573)
General and administrative expenses		**(4,376)**	(3,771)	**(15,308)**	(29,020)
Gain on disposal of subsidiary	8	**2,472**	—	**2,472**	—
Share of result of joint venture		**(1)**	—	**(5)**	—
Finance costs		**—**	—	**—**	(3,270)
Profit (loss) before taxation		**3,075**	1,063	**1,125**	(21,716)
Income tax expense	4	**(548)**	—	**(561)**	—
Profit (loss) for the period		**2,527**	1,063	**564**	(21,716)
Other comprehensive income		**(6)**	(54)	**(16)**	(43)
Total comprehensive income for the period		**2,521**	1,009	**548**	(21,759)
Profit (loss) attributable to:					
Owners of the Company		**2,569**	1,107	**735**	(21,566)
Non-controlling interests		**(42)**	(44)	**(171)**	(150)
		2,527	1,063	**564**	(21,716)
Total comprehensive income attributable to:					
Owners of the Company		**2,563**	1,053	**719**	(21,609)
Non-controlling interests		**(42)**	(44)	**(171)**	(150)
		2,521	1,009	**548**	(21,759)
Dividend	5	**—**	—	**—**	—
Earnings (loss) per share — Basic (cents)	6	**0.32**	0.14	**0.09**	(2.82)
— Diluted (cents)	6	**N/A**	N/A	**N/A**	N/A

Unaudited Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2017 and 30 September 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 interest 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	–	–	–	–	(43)	(21,566)	(21,609)	(150)	(21,759)
At 30 September 2016	80,000	71,894	5,954	2,978	(258)	(150,839)	9,729	(692)	9,037
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	**–**	**–**	**–**	**–**	**(16)**	**735**	**719**	**(171)**	**548**
Eliminated on disposal of subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**519**	**519**
At 30 September 2017	**80,000**	**71,974**	**5,954**	**2,978**	**(402)**	**(144,927)**	**15,577**	**(226)**	**15,351**

Notes to the unaudited Condensed Financial Statements

For the nine months ended 30 September 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 Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standard and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the GEM Listing Rules. They have been prepared under historical cost convention. The accounting policies adopted are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended 31 December 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 net amounts received and receivable for goods sold to outside customers, and are summarised as follows:

	For the three months ended 30 September		**For the nine months ended 30 September**	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Sales of card products	**5,984**	6,731	**17,425**	14,702
Sales of non-card products	**568**	584	**1,554**	1,829
Sales of liquor products	**4,274**	—	**36,789**	—
	10,826	7,315	**55,768**	16,531

4. INCOME TAX EXPENSE

The expense represents enterprise income tax in the PRC.

	For the three months ended 30 September		For the nine months ended 30 September	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
PRC enterprise income tax				
Current period	**548**	—	**561**	—

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 as at the 30 September 2017 and 31 December 2016.

5. DIVIDEND

No dividend was paid during the period. The directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2017 (2016: Nil).

6. EARNINGS PER SHARE

The calculation of basic earnings per share for the nine months ended 30 September 2017 is based on the unaudited net profit attributable to the owners of the Company for the relevant period of approximately RMB735,000 (2016: loss of RMB21,566,000) and the weighted average number of 800,000,000 shares (2016: 765,255,474 shares).

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

7. RELATED PARTY AND CONTINUING CONNECTED TRANSACTIONS

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

		For the three months ended 30 September		For the nine months ended 30 September	
		2017	2016	**2017**	2016
Name of related party	Nature of transactions	**RMB'000 (Unaudited)**	RMB'000 (Unaudited)	**RMB'000 (Unaudited)**	RMB'000 (Unaudited)
Shenzhen Mingwah Aohan Smart Card Corporation Ltd. (深圳市明華澳漢智能卡有限公司)	Purchases of goods	**172**	70	**735**	70

On 5 February 2016, 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 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.

8. GAIN ON DISPOSAL OF SUBSIDIARY

On 1 September 2017, the Company entered into a sale and purchase agreement to dispose of its 80% equity interest in its subsidiary, Beijing Mingwah Aohan High Technology Co., Ltd. ("Beijing Mingwah") (北京市明華澳漢科技有限公司) to an independent third party at a consideration of RMB400,000. The principal activity of Beijing Mingwah is design, development and trading of IC cards, magnetic cards, related equipment and application systems. The net liabilities of the subsidiary were as follows:

	RMB'000
Net liabilities disposed of	
Property, plant and equipment	8
Inventories	65
Trade receivables	688
Prepayments, deposits and other receivables	1,536
Bank balances and cash	337
Trade payables	(1,245)
Other payables and accruals	(3,979)
	(2,590)
Non-controlling interest	518
Gain on disposal of subsidiary	2,472
Total consideration satisfied by:	
Cash consideration received	400
Net cash inflow arising on disposal:	
Cash consideration received	400

9. EVENT AFTER REPORTING PERIOD

On 9 October 2017, a joint venture company in the PRC, namely 上海歌漢貿易有限公司, was incorporated.

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 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 RMB18,979,000 attributable to the Card and Related Products Business for the nine months ended 30 September 2017 were mainly derived from two contracts for its application system and one contract for its CPU smart cards.

The Wine Business

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. Subsequent to the reporting period, a joint venture company in the PRC, namely, 上海歌漢貿易有限公司, was incorporated on 9 October 2017.

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. On 7 July 2017, 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 (as defined below), 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.

The Wine Business of the Group has recorded strong growth during the nine months ended 30 September 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 four sales contracts for Chinese white wine Maotaijiu (茅台酒) in the nine months ended 30 September 2017. The Wine Business has made a significant contribution to the Group's revenue accounting for approximately RMB36,789,000, representing approximately 66.0% of the Group's revenue for the nine months ended 30 September 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 nine months ended 30 September 2017 was approximately RMB55,768,000, representing an increase of approximately 237.4% as compared with approximately RMB16,531,000 recorded in last corresponding period.

Because of the increase in sales, for the nine months ended 30 September 2017, the Group's cost of sales increased to approximately RMB42,111,000 (2016: RMB6,349,000). The gross profit for the nine months ended 30 September 2017 was approximately RMB13,657,000 (2016: RMB10,182,000). The gross profit margin was approximately 24.5% (2016: 61.6%). The underlying reason for such decrease was mainly due to increase in sales of liquor products which were with lower profit margin.

When compared to the corresponding period last year, the distribution and selling expenses increased by 28.8% to approximately RMB738,000 (2016: RMB573,000) mainly due to increase in staff cost. The general and administrative expenses decreased by 47.3% to approximately RMB15,308,000 (2016: RMB29,020,000) 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.

In September 2017, the Group entered into an agreement to dispose of its 80% equity interest in Beijing Mingwah Aohan High Technology Co., Ltd. ("Beijing Mingwah") to a third party for an aggregate consideration of RMB400,000. Beijing Mingwah was principally engaged in design, development and trading of IC cards, magnetic cards, related equipment and application systems. The disposal was completed during the nine months ended 30 September 2017, and a net gain on disposal of this subsidiary of RMB2,472,000 was recognised. (see Note 8)

For the nine months ended 30 September 2017, the Group's profit attributable to owners of the Company was approximately RMB735,000 (2016: loss of RMB21,566,000). The Company's turn from loss to profit was mainly due to (i) increase in gross profit arising from increase in revenue; (ii) decrease in general and administrative expenses; (iii) a gain on disposal of subsidiary; and (iv) absence of finance costs.

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. On 7 July 2017 and 1 August 2017, the Company entered into a placing agreement and a supplemental placing agreement (collectively, the "Placing Agreement") with Fulbright Securities Limited (the "Placing Agent") and a subscription agreement and a supplemental subscription agreement (collectively, 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") and in any event not less than 36,000,000 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 as approved by shareholders at the EGM and the Class Meetings held on 26 September 2017. 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. 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.

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) increasing the investment into the Joint Venture Companies formed between the Group and Googut Group; (ii) upgrading the marketing, branding, procurement and distribution in its Wine Business; (iii) expanding the operation of its Wine Business; (iv) investing in vintage fine wines; and (v) expanding and investing in the existing technology business of the Group.

In addition, Googut and the Company entered into a Strategic Cooperation Agreement on 7 July 2017, 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. 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.

Litigations

(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.

DISCLOSURE OF INTERESTS

(a) Directors', Supervisors' and Chief Executives' 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 September 2017.

(b) Interests discloseable under the SFO and substantial shareholders

So far as the Directors are aware, as at 30 September 2017, the persons or companies (not being a Director, supervisor 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
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 up to 30 September 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 third quarterly result of the Company for the nine months ended 30 September 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

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 nine months ended 30 September 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

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, 7 November 2017