深圳市明華澳漢科技股份有限公司
Shenzhen Mingwah Aohan High Technology Corporation Limited *
(a joint stock limited company incorporated in the People's Republic of China)
Stock Code: 8301

2019
Third Quarterly Report

* For identification purpose only

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

BOARD OF DIRECTORS (THE "BOARD")

Executive Directors

Mr. Zhang Tao *(Chairman)*
Ms. Wang Hong (resigned on 27 June 2019)
Mr. Huang Qing (appointed on 14 March 2019 and resigned on 10 September 2019)
Mr. Lang Yu (appointed on 27 June 2019)
Mr. Liu Jianfeng (appointed on 10 September 2019)

Non-Executive Directors

Mr. Zhou Liang Hao
Mr. Chan Ngai Fan (re-designated as a non-executive Director on 8 January 2019, and resigned on 18 March 2019)

Independent Non-Executive Directors

Mr. Yu Xiuyang
Mr. Lau Shu Yan
Mr. Wei Wei (appointed on 20 March 2019)
Mr. You Xiaohua (resigned on 20 March 2019)

Supervisors

Ms. Zou Liping (ceased on 30 April 2019)
Ms. Ge Deng (retired on 17 May 2019)
Mr. Zhou Jie
Mr. You Xiaohua (elected on 30 April 2019)
Ms. Huang Sanhuan (appointed on 17 May 2019)

AUDIT COMMITTEE

Mr. Lau Shu Yan *(Chairman)*
Mr. Yu Xiuyang
Mr. Wei Wei (appointed on 20 March 2019)
Mr. You Xiaohua (resigned on 20 March 2019)

NOMINATION COMMITTEE

Mr. Lau Shu Yan *(Chairman)*
Mr. Yu Xiuyang
Mr. Zhang Tao

REMUNERATION COMMITTEE

Mr. Yu Xiuyang *(Chairman)*
Mr. Lau Shu Yan
Mr. Wei Wei (appointed on 20 March 2019)
Mr. You Xiaohua (appointed on 18 March 2019 and resigned on 20 March 2019)
Mr. Chan Ngai Fan (resigned on 18 March 2019)

CHIEF EXECUTIVE OFFICER

Mr. Zhang Tao

COMPANY SECRETARY

Ms. Liu Pui Shan (resigned on 14 June 2019)
Ms. Leung Hoi Yan (appointed on 14 June 2019)

COMPLIANCE OFFICER

Mr. Zhang Tao

AUTHORIZED REPRESENTATIVES

Ms. Liu Pui Shan (resigned on 14 June 2019)
Ms. Leung Hoi Yan (appointed on 14 June 2019)
Mr. Zhang Tao

AUDITOR

KTC Partners CPA Limited

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M/F., Hopewell Centre
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Wanchai, Hong Kong

PRINCIPAL BANKERS

China Minsheng Bank
Ping An Bank

COMPANY'S WEBSITE

www.mwcard.com

GEM STOCK CODE

8301

HIGHLIGHTS

- For the nine months ended 30 September 2019, unaudited revenue was approximately RMB40,928,000, which represents a decrease of approximately of 12.0% as compared to that of the corresponding period in previous year. The loss attributable to owners of the Company for the nine months ended 30 September 2019 was approximately RMB9,657,000 (2018: profit of RMB1,436,000). The turnaround from profit to loss mainly attributable to (i) the decrease in other income due to a decrease in value-added tax refund; (ii) decrease in revenue was attributable to the decrease in sales of card, and related products, and liquor product in the first quarter of 2019; and (iii) increase in general and administrative expenses.

- Loss per share of the Group was approximately RMB1.21 cents for the nine months ended 30 September 2019.

To all shareholders,

The board of Directors (the "Board") is pleased to announce the unaudited condensed consolidated quarterly results of the Group for the three months and nine months ended 30 September 2019 together with comparative figures for the corresponding periods ended 30 September 2018, 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 2019 and 30 September 2018

	Notes	**For the three months ended 30 September** **2019** **RMB'000** **(Unaudited)**	2018 RMB'000 (Unaudited)	**For the nine months ended 30 September** **2019** **RMB'000** **(Unaudited)**	2018 RMB'000 (Unaudited)
Revenue	3	**16,655**	4,275	**40,928**	46,492
Cost of sales		**(16,016)**	(1,232)	**(35,553)**	(35,892)
Gross profit		**639**	3,043	**5,375**	10,600
Other income		**23**	–	**1,111**	3,008
Distribution and selling expenses		**(43)**	(254)	**(143)**	(1,452)
General and administrative expenses		**(6,968)**	(1,996)	**(15,032)**	(10,307)
Finance cost		**(442)**	–	**(704)**	–
Net gains on disposal of subsidiaries	8	**–**	–	**–**	485
Share of result of joint ventures		**(3)**	–	**(9)**	(1)
(Loss)/profit before taxation		**(6,794)**	793	**(9,402)**	2,333
Income tax credit/(expense)	4	**(255)**	165	**(255)**	(370)
(Loss)/profit for the period		**(7,049)**	958	**(9,657)**	1,963
Other comprehensive income		**(725)**	(1,237)	**(1,848)**	173
Total comprehensive income for the period		**(7,774)**	(279)	**(11,505)**	2,136
(Loss)/profit attributable to:					
Owners of the Company		**(7,049)**	664	**(9,657)**	1,436
Non-controlling interests		**–**	294	**–**	527
		(7,049)	958	**(9,657)**	1,963
Total comprehensive income attributable to:					
Owners of the Company		**(7,774)**	(573)	**(11,505)**	1,609
Non-controlling interests		**–**	294	**–**	527
		(7,774)	(279)	**(11,505)**	2,136
Dividend	5	**–**	–	**–**	–
(Loss)/earnings per share					
– Basic (cents)	6	**(0.88)**	0.08	**(1.21)**	0.18
– 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 2019 and 30 September 2018

	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 2018	80,000	71,974	5,954	2,978	(492)	(144,056)	16,358	94	16,452
Total comprehensive income for the period	–	–	–	–	173	1,436	1,609	527	2,136
Release of statutory surplus reserve and statutory public welfare fund upon disposal of subsidiary	–	–	(844)	(422)	–	–	(1,266)	–	(1,266)
Eliminated on disposal of subsidiary (Note 8)	–	–	–	–	–	–	–	19	19
At 30 September 2018	80,000	71,974	5,110	2,556	(319)	(142,620)	16,701	640	17,341
At 1 January 2019	**80,000**	**71,974**	**5,040**	**2,411**	**(897)**	**(141,816)**	**16,712**	**347**	**17,059**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**(1,848)**	**(9,657)**	**(11,505)**	**–**	**(11,505)**
At 30 September 2019	**80,000**	**71,974**	**5,040**	**2,411**	**(2,745)**	**(151,473)**	**5,207**	**347**	**5,554**

Notes to the unaudited Condensed Financial Statements

For the nine months ended 30 September 2019

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 GEM of the Stock Exchange.

The Group is principally engaged in (i) the sale of IC cards, magnetic cards, related equipment and application systems, and (ii) trading of liquor products.

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 2018.

The HKICPA has issued certain new and revised Hong Kong Financial Reporting Standards ("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.

In the nine months ended 30 September 2019, the Group has applied, for the first time, the HKFRS 16 Leases ("HKFRS 16") issued by the HKICPA which is pertinent to the Group and is mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements.

HKFRS 16 superseded HKAS 17 Leases ("HKAS 17") and the related interpretations. Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

The application of the new and amendments to HKFRSs and the interpretations in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

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	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Sales of card products	**–**	3,956	**5,307**	9,082
Sales of non-card products	**–**	–	**–**	66
Sales of liquor products	**16,655**	319	**35,621**	37,344
	16,655	4,275	**40,928**	46,492

4. INCOME TAX EXPENSE/(CREDIT)

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
PRC enterprise income tax				
Current period	**255**	(165)	**255**	370

PRC enterprise income tax of the Group is calculated at the applicable rate of 25% (2018: 25%) on estimated assessable profits.

The Group does not have any significant unprovided deferred taxation as at the 30 September 2019 and 31 December 2018.

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 2019 (2018: Nil).

6. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share for the nine months ended 30 September 2019 is based on the unaudited net loss attributable to the owners of the Company for the relevant period of approximately RMB9,657,000 (2018: profit of RMB1,436,000) and the weighted average number of 800,000,000 shares (2018: 800,000,000 shares).

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

7. RELATED PARTY AND CONTINUING CONNECTED TRANSACTIONS

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

		For the three months ended 30 September		**For the nine months ended 30 September**	
Name of related party	**Nature of transactions**	**2019 RMB'000 (Unaudited)**	2018 RMB'000 (Unaudited)	**2019 RMB'000 (Unaudited)**	2018 RMB'000 (Unaudited)
Shenzhen Mingwah Aohan Smart Card Corporation Ltd. (深圳市明華澳漢智能卡有限公司) (Note i)	Purchases of goods	**–**	–	**–**	153

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 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. Mr. Li Xiang retired as the supervisor of the Company at the annual general meeting held on 17 May 2018.

8. NET GAIN ON DISPOSAL OF SUBSIDIARIES

(i) On 19 January 2018, the Company entered into a sale and purchase agreement to dispose of its 100% equity interest in its subsidiary, Fast Key Holdings Limited ("Fast Key") (快鍵集團有限公司) to former directors at a consideration of HK$950,000 (equivalent to approximately RMB790,000). The principal activity of Fast Key is provision of administrative support. The net assets of the subsidiary were as follows:

	RMB'000
Net assets disposed of	
Property, plant and equipment	566
Prepayments, deposits and other receivables	226
Bank balances and cash	4
Other payables and accruals	(13)
	783
Release of translation reserve	141
Loss on disposal of subsidiary	(134)
Total consideration satisfied by:	
Cash consideration received	790

(ii) The Company disposed of its 90% equity interest in its subsidiary, Guangzhou Mingwah Aohan High Technology Co., Ltd. ("Guangzhou Mingwah") (廣州市明華澳漢科技有限公司) to an independent third party at a consideration of RMB450,000 on 1 April 2018. The principal activity of Guangzhou Mingwah is trading in 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	5
Inventories	85
Trade receivables	515
Prepayments, deposits and other receivables	20
Bank balances and cash	150
Trade payables	(769)
Other payables and accruals	(194)
	(188)
Non-controlling interest	19
Gain on disposal of subsidiary	619
Total consideration satisfied by:	
Cash consideration received	450

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 provision of application development services and the sale of cards products and non-card products (the "Card and Related Products Business") in the People's Republic of China (the "PRC"); and (ii) the trading of liquor products (the "Wine Business").

THE CARD AND RELATED PRODUCTS BUSINESS

The market competition for the traditional card products and related application systems became intensified in 2018. Since the second half of 2018, the Group started to explore business opportunities for related application development services and continued its efforts in the first nine months of 2019.

The Group's Card and Related Products Business recorded a revenue of approximately RMB5,307,000 (2018: approximately RMB9,148,000) for the nine months ended 30 September 2019, which were mainly derived from contracts for its application development services, but did not record any revenue from the Card and Related Products Business for the three months ended 30 September 2019 due to the intensified market competition. The Group will continue its efforts to explore business opportunities in relation to the provision of application development services for the Card and Related Products Business.

THE WINE BUSINESS

The Group commenced its Wine Business in the last quarter of 2016 with a view to diversify its income source and enhance its financial performance. For furtherance of its Wine Business, the Group (i) entered into strategic partnership with Googut Wine & Spirits Co, Ltd ("Googut", together with its subsidiaries the "Googut Group") in 2016; (ii) formed two joint venture companies respectively in the PRC and Hong Kong in 2017; and (iii) entered into a memorandum of understanding and the strategic cooperation agreement with Googut in 2017. 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.

Due to the anti-graft campaign in the PRC which adversely influenced the sales of the Moutai liquor, the Group did not record any revenue from the Wine Business for the three months ended 31 March 2019. As the result, the Group reformulated its business strategies with Googut to leverage on Googut's distribution channel and customer base in the PRC, and recorded the revenue of approximately RMB16,655,000 from the Wine Business for the three months ended 30 September 2019 (2018: approximately RMB319,000), representing a growth of approximately 51.2% from revenue of in the corresponding period of 2018.

Due to the strong performance of the Group's Wine Business during the second and third quarters of 2019, the Group's revenue from the Wine Business during the nine months ended 30 September 2019 recorded approximately RMB35,621,000 (2018: approximately RMB37,344,000) despite the results of the first quarter of 2019. The Board will continue to adjust its strategy to explore further business opportunities of the Group's Wine Business and review the performance of the distribution channels and make necessary adjustments as and when necessary.

Financial Review

For the nine months ended 30 September 2019, the Group's loss attributable to owners of the Company was approximately RMB9,657,000 (2018: profit of approximately RMB1,436,000).

REVENUE, COST OF SALES AND GROSS PROFIT

The Group's revenue of the nine months ended 30 September 2019 was approximately RMB40,928,000 (2018: approximately RMB46,492,000), representing a decrease of approximately 12.0% as compared to the last corresponding period in 2018. The decrease in revenue was attributable to the decrease in sales of card and related products, and liquor products for the nine months ended 30 September 2019.

The Group's cost of sales for the nine months ended 30 September 2019 decreased by approximately 9.4% to approximately RMB35,553,000 (2018: approximately RMB35,892,000). The gross profit for the nine months ended 30 September 2019 decreased by approximately 49.3% to approximately RMB5,375,000 (2018: approximately RMB10,600,000). The gross profit margin was approximately 13.1% (2018: approximately 22.8%). The underlying reason for such decrease was mainly due to decrease in sales of liquor products which were with higher profit margin.

ADMINISTRATIVE AND OTHER OPERATING COSTS

During the period under review, the distribution and selling expenses decreased by approximately 90.2% to approximately RMB143,000 (2018: approximately RMB1,452,000) mainly due to decrease in distribution and sales staff cost.

During the period under review, the general and administrative expenses increased by 45.8% to approximately RMB15,032,000 (2018: approximately RMB10,307,000) mainly due to the increase in professional fees and research and development costs.

Finance costs of approximately RMB704,000 were incurred during the nine months ended 30 September 2019 (2018: Nil). The finance costs represented the interests on borrowings from independent third parties for the nine months ended 31 March 2019 and the balance of such borrowings as at 30 September 2019 was approximately RMB7.13 million.

Prospect

Premised on its mature data encryption technology, the Group will continue to cooperate with its existing customers to ensure the demand of current customers are met and strive to maintain its income in view of the keen competition in the market, whilst explore more opportunities in the information technology sector for the last quarter of 2019.

Driven by "Made in China 2025" and "Internet+ Double-innovation" strategies implemented by the PRC Government in recent years, significant progress has been made in the development of the Internet of Things ("IoT") market. Aiming to develop its IoT market, a batch of key laboratories were set up in the PRC in order to pool and integrate innovative resources from various industries and fields which basically cover each segment involved in the technological innovations of IoT. In view of the above, the Group recruited a professional team to provide application development services in the third quarter of 2018 and would leverage on their experiences and technological knowledges to further explore business opportunities in the IT and related technology sector.

The Board would monitor closely on the development and impact of the relevant regulations and policies in the PRC to adjust its strategy on the Wine Business. The Group will continue to explore further business opportunities with Googut and to review the performance of its distribution channels and make necessary adjustments as and when necessary.

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.

Litigation

Reference is made to (i) the voluntary announcement of the Company dated 24 October 2018 (the "Voluntary Announcement"); and (ii) the announcements of the Company dated 31 May 2019 and 19 July 2019 (the "Legal Proceeding Announcements").

As disclosed in the Voluntary Announcement, the Company entered into an agreement dated 24 October 2018 (the "Agreement") with Ms. Fang Hui (方慧) (the "Vendor"), Shanghai Aoyi Electronic Technology Company Limited* (上海奧宜電子科技有限公司) ("Shanghai Aoyi") and Shenzhen Zhifen Technology Corporation Limited* (深圳市智紛科技有限公司) ("Shenzhen Zhifen") in respect of (a) the acquisition (the "Acquisition") of approximately 14.6% of equity interest in Shanghai Aoyi from the Vendor by the Company; and (b) the capital contribution (the "Capital Contribution") to Shenzhen Zhifen to be made by Shanghai Aoyi and the Company.

As disclosed in the Legal Proceeding Announcements, as of the one of the conditions precedents to completion of the Acquisition has not been fulfilled or waived in accordance with the Agreement, the Company sought to recover the partial consideration of RMB7 million (the "Partial Consideration") paid by it under the Agreement. However, the negotiation in relation to the termination of the Agreement and the return of the Partial Consideration was not successful. In May 2019, the Company initiated legal proceedings and filed a claim (the "Claim") in the People's Court of Xuhui District, Shanghai City (the "Xuhui People's Court") to seek to recover the Partial Consideration.

On 11 July 2019, the Company, the Vendor, Shanghai Aoyi, Shenzhen Zhifen and an individual being an independent third party entered into a settlement agreement (the "Settlement Agreement") in respect of the Claim. The Company confirms that, as at the date of this Report, the Partial Consideration was fully repaid and the Claim was withdrawn.

Save as disclosed above, the Group was not involved in any material claims or legal proceedings for the nine months ended 30 September 2019.

Dividend

The Directors do not recommend the payment of dividend for the nine months ended 30 September 2019 (2018: Nil).

DISCLOSURE OF INTERESTS

(a) Directors', chief executives' and supervisors' interest in shares, underlying shares and debentures of the Company and its associated corporations

As at 30 September 2019, none of the Directors, supervisors and chief executives of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or required to be entered in the register pursuant to Section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

(b) Substantial shareholders' and other persons interests and short positions in the shares and underlying shares of the Company

So far as the Directors are aware, as at 30 September 2019, the persons or companies (not being a director, chief executive or supervisor of the Company) have interests and/or short positions in the shares or underlying shares of the Company which fall to be disclosed 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 are listed as follows:

Name of substantial shareholder	Nature of interest	Number and class of securities (Note 1)	Approximate percentage of shares in the same class	Approximate percentage of total registered share capital
Googut Wine & Spirits Co., Ltd.* (歌德盈香股份有限公司) ("Googut")	Beneficial owner	228,240,000 domestic shares (L) (Note 2)	38.05%	28.53%
Shanghai Beiyan Enterprises Limited* (上海北燕實業有限公司) ("Shanghai Beiyan")	Beneficial owner	172,640,000 domestic shares (L)	28.78%	21.58%
Zheng Qi (鄭琪) (Note 3)	Interest in controlled corporation	172,640,000 domestic shares (L)	28.78%	21.58%
Zhang Nan	Beneficial owner	110,000,000 domestic shares (L)	18.34%	13.75%
Zhuoyu Hengtai (Beijing) Safety Equipment Company Limited ("Zhuoyu Hengtai")	Beneficial owner	58,240,000 domestic shares (L) (Note 2)	9.71%	7.28%
Shenzhen Gangao Huijin Investment Company Limited	Beneficial owner	33,800,000 domestic shares (L)	5.64%	4.23%
Guo Fan	Beneficial owner	31,460,000 domestic shares (L)	5.25%	3.93%
Princeps MB Asset Management Corp.	Beneficial owner	11,416,000 H shares (L)	5.70%	1.43%

Note:

1. The letter "L" denotes the shareholders' long position in the shares of the Company.

2. Based on the information provided by the relevant person(s), Googut was interested in (i) 170,000,000 domestic shares which were beneficially owned by Googut; and (ii) 58,240,000 domestic shares which were the subject matter of an equity transfer agreement dated 21 August 2019 entered into between Googut and Zhuoyu Hengtai. As at 30 September 2019, these 58,240,000 domestic shares were held by Zhuoyu Hengtai, subject to the completion of the equity transfer agreement.

3. Mr. Zheng Qi owned 80% of the shares of Shanghai Beiyan. By virtue of SFO, Mr. Zheng Qi is deemed to be interested in the shares of the Company held by Shanghai Beiyan.

* For identification purposes only

Save as disclosed above, as at 30 September 2019, the Company had not been notified by any person who had any interests and/or short positions in the shares or underlying shares of the Company which fall to be disclosed 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.

SHARE OPTION SCHEME

The Company has not granted or issued any option up to 30 September 2019.

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 AND CONFLICT OF INTEREST

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 or has other conflicts of interest with the Group during the period under review.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") pursuant to the requirements 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 during the nine months period ended 30 September 2019.

The Company has adopted a code of conduct regarding securities transactions by the relevant employees of the Group who are considered likely to be in possession of unpublished price sensitive information of the Group on no less exacting terms than the Model Code in relation to their dealings in the securities of the Company pursuant to Code Provision A.6.4 of the CG Code. To the best knowledge and belief of the Directors, all relevant employees have complied with the required standard of such code.

AUDIT COMMITTEE

The Company has established an audit committee since June 2004 with written terms of reference which have been amended from time to time in compliance with the GEM Listing Rules. The primary duties of the audit committee of the Company ("Audit Committee") are to review and supervise the financial reporting process and internal control procedures of the Company and provide advice and comments to the Directors. The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Lau Shu Yan (chairman of Audit Committee), Mr. Yu Xiuyang and Mr. Wei Wei.

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 results of the Company for the nine months ended 30 September 2019, 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 Board has adopted the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. Continuous efforts are made to review and enhance the Group's internal controls and procedures in light of changes in regulations and developments in best practices. To us, maintaining high standards of corporate governance practices is not just complying with the provisions but also the intent of the regulations to enhance corporate performance and accountability.

DEVIATION FROM THE CORPORATE GOVERNANCE CODE

The Company has compiled with the CG Code throughout the nine months ended 30 September 2019, except for the following deviation:

(a) In respect of the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. After the appointment of Mr. Zhang Tao as the chief executive officer of the Company (the "Chief Executive Officer") on 8 February 2018, he has served as both the chairman of the Board (the "Chairman") and the Chief Executive Officer. By taking into account the current circumstances of the Group as a whole, the Board considers Mr. Zhang Tao, being a key leadership of the Group, as a suitable candidate to be the Chief Executive Officer, ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board will consider splitting the roles of Chairman and Chief Executive Officer at a time when it is appropriate. Therefore, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance. In addition, under the supervision of the Board which is comprised of three executive Directors, one non-executive Director and three independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

(b) In respect of the code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings. Mr. Zhou Liang Hao, Mr. Yu Xiuyang, Mr. Lau Shu Yan and Mr. Wei Wei did not attend the annual general meeting of the Company held on 17 May 2019 ("AGM") due to their own business engagements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the nine months ended 30 September 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

DIRECTORS

As at the date of this report, the executive Directors are Mr. Zhang Tao, Mr. Lang Yu and Mr. Liu Jianfeng; the non-executive Director is Mr. Zhou Liang Hao; and the independent non-executive Directors are Mr. Lau Shu Yan, Mr. Yu Xiuyang and Mr. Wei Wei.

By Order of the Board
Shenzhen Mingwah Aohan High Technology Corporation Limited
Zhang Tao
Chairman

Shenzhen, the PRC, 12 November 2019