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

# 2018
# First 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: (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 three months ended 31 March 2018, the unaudited revenue was approximately RMB29,892,000 which representing an increase of approximately 6.5% as compared to that of the corresponding period in 2017. The profit attributable to owners of the Company for the three months ended 31 March 2018 was approximately RMB599,000 (2017: RMB1,271,000).

- Earnings per share of the Group was approximately RMB0.07 cents for the three months ended 31 March 2018.

**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 ended 31 March 2018 ("First Quarter"), together with the comparative unaudited figures for the corresponding period in 2017, as follows:

## THE FINANCIAL STATEMENTS

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

*For the three months ended 31 March 2018 and 31 March 2017*

| | Notes | For the three months ended 31 March 2018 RMB'000 (Unaudited) | 2017 RMB'000 (Unaudited) |
|---|---|---|---|
| Revenue | 3 | **29,892** | 28,071 |
| Cost of sales | | **(24,325)** | (21,832) |
| Gross profit | | **5,567** | 6,239 |
| Other income | | **321** | 890 |
| Distribution and selling expenses | | **(685)** | (122) |
| General and administrative expenses | | **(4,375)** | (5,485) |
| Loss on disposal of a subsidiary | 8 | **(134)** | — |
| Share of result of joint ventures | | **(1)** | — |
| Profit before taxation | | **693** | 1,522 |
| Income tax expenses | 4 | **(173)** | (326) |
| Profit for the period | | **520** | 1,196 |
| Other comprehensive income for the period | | **585** | (71) |
| Total comprehensive income for the period | | **1,105** | 1,125 |
| Profit attributable to: | | | |
| Owners of the Company | | **599** | 1,271 |
| Non-controlling interests | | **(79)** | (75) |
| | | **520** | 1,196 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | **1,184** | 1,200 |
| Non-controlling interests | | **(79)** | (75) |
| | | **1,105** | 1,125 |
| Dividend | 5 | **—** | — |
| Earnings per share | | | |
| — Basic (cents) | 6 | **0.07** | 0.16 |
| — Diluted (cents) | 6 | **N/A** | N/A |

## Unaudited Condensed Consolidated Statement of Changes in Equity

*For the three months ended 31 March 2018 and 31 March 2017*

| | 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) | Sub-total RMB'000 (Unaudited) | Non-controlling interest RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
| At 1 January 2017 | 80,000 | 71,974 | 5,954 | 2,978 | (386) | (145,662) | 14,858 | (574) | 14,284 |
| Total comprehensive income | – | – | – | – | (71) | 1,271 | 1,200 | (75) | 1,125 |
| At 31 March 2017 | 80,000 | 71,974 | 5,954 | 2,978 | (457) | (144,391) | 16,058 | (649) | 15,409 |
| At 1 January 2018 | **80,000** | **71,974** | **5,954** | **2,978** | **(492)** | **(144,056)** | **16,358** | **94** | **16,452** |
| Total comprehensive income | **–** | **–** | **–** | **–** | **585** | **599** | **1,184** | **(79)** | **1,105** |
| At 31 March 2018 | **80,000** | **71,974** | **5,954** | **2,978** | **93** | **(143,457)** | **17,542** | **15** | **17,557** |

## Notes to the Unaudited Condensed Financial Statements

*For the three months ended 31 March 2018*

### 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 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 2017.

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 the new and revised HKFRSs that have been issued but not yet effective for the current accounting period. The adoption of these new standards and amendments to standards is not expected to have any significant impact on the results of the Group.

The condensed consolidated results are unaudited but have been reviewed by the Company's audit committee.

### 3. REVENUE

Revenue represents the gross invoiced value of goods sold, net of sales related tax, returns and discounts to outside customers, and are summarised as follows:

| | **For the three months ended 31 March** | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Sales of card products | **3,057** | 6,569 |
| Sales of non-card products | **66** | 507 |
| Sales of liquor products | **26,769** | 20,995 |
| | **29,892** | 28,071 |

## 4. INCOME TAX EXPENSES

| | For the three months ended 31 March | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| PRC enterprise income tax | | |
| Current period | **173** | 326 |

PRC enterprise income tax of the Group is calculated at the applicable rate of 25% (2017: 25%) on estimated assessable profits.

The Group did not have any significant unprovided deferred taxation as at 31 March 2018 and 31 March 2017.

## 5. DIVIDEND

No dividend was paid during the period. The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2018 (2017: Nil).

## 6. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 31 March 2018 is based on the unaudited net profit attributable to owners of the Company for the relevant period of approximately RMB599,000 (2017: RMB1,271,000) and the weighted average number of 800,000,000 shares (2017: 800,000,000 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:

| Name of related party | Nature of transactions | For the three months ended 31 March<br>**2018**<br>**RMB'000**<br>**(Unaudited)** | <br>2017<br>RMB'000<br>(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** | 370 |
| Former directors, Mr. Li Qi Ming and Mr. Liu Guo Fei (Note ii) | Sale of a subsidiary (Note 8) | **790** | — |

(i) 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.

(ii) Mr. Li Qi Ming resigned as an executive director and chairman of the Board of the Company on 31 March 2017. Mr. Liu Guo Fei resigned as an executive director of the Company on 8 February 2018.

## 8. LOSS ON DISPOSAL OF SUBSIDIARY

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 |

## 9. EVENT AFTER REPORTING PERIOD

### (i) Placing and Subscription

On 7 July 2017, 1 August 2017, 29 December 2017 and 20 April 2018, the Company entered into a placing agreement, the first supplemental placing agreement, the second supplemental placing agreement and the third supplemental placing agreement (collectively, the "Placing Agreements") with Fulbright Securities Limited (the "Placing Agent"). Pursuant to the Placing Agreements, 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"). On 7 July 2017, 1 August 2017, 29 December 2017 and 20 April 2018, the Company respectively entered into a subscription agreement, the first supplemental subscription agreement, the second supplemental subscription agreement and the third supplemental subscription agreement (collectively the "Subscription Agreements") with Googut Wine & Spirits Trading Company Limited (the "Subscriber"), a wholly owned subsidiary of Googut. Pursuant to the Subscription Agreements, 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 mandates as approved by shareholders at the first extraordinary general meeting and the first class meetings held on 26 September 2017, and at the second extraordinary general meeting and the second class meetings held on 5 March 2018, and to be sought at the third extraordinary general meeting and the third class meetings to be held on 19 June 2018.

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 (equivalent to approximately RMB76,560,000).

### (ii) Disposal of subsidiary

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 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 Group 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 Group's mature technology as core strength and its long established reputation in the market, the Group recorded a growth in revenue in the period under review. Revenue of approximately RMB3,123,000 attributable to the Card and Related Products Business for the three months ended 31 March 2018 were mainly derived from three contracts for its application system.

### 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 in the PRC and Hong Kong, respectively. 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 in February 2017 and a joint venture company in the PRC, namely, 上海歌漢貿易有限公司, was incorporated in October 2017.

To further cooperation between the Group and the Googut Group, the Company and Googut entered into a memorandum of understanding on 15 June 2017 relating to the cooperation with Googut in the alcoholic beverages business (the "MOU"). 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. Details of the MOU are set out in the announcement of the Company dated 15 June 2017. 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. Details of the Strategic Cooperation Agreement are set out in the announcement of the Company dated 7 July 2017.

The Wine Business of the Group has recorded strong growth in the three months ended 31 March 2018. The Group has entered into three sales contracts for Chinese white wine Maotaijiu (茅台酒) in the first quarter of 2018. The Wine Business has continued to make a significant contribution to the Group's revenue accounting for approximately RMB26,769,000, representing approximately 89.6% of the Group's revenue for the three months ended 31 March 2018.

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 for the three months ended 31 March 2018 was approximately RMB29,892,000 (2017: RMB28,071,000), representing an increase of approximately 6.5% as compared to the corresponding period in 2017. The increase in revenue was attributable to the increase in sales of liquor products for the three months ended 31 March 2018.

The Group's cost of sales for the three months ended 31 March 2018 increased from approximately RMB21,832,000 to RMB24,325,000, representing an increase of approximately 11.4% as compared to that of the same period in 2017. The gross profit for the three months ended 31 March 2018 decreased by approximately 10.8% to approximately RMB5,567,000 (2017: RMB6,239,000). The percentage of gross profit for the three months ended 31 March 2018 decreased from 22.2% to 18.6% as compared to the corresponding period in 2017. The underlying reason for such decrease was mainly due to increase in sales which had a lower profit margin.

The distribution and selling expenses increased by approximately 461.5% to RMB685,000 (2017: RMB122,000). The increase was mainly due to increase in staff cost. The general and administrative expenses decreased by approximately 20.2% to approximately RMB4,375,000 (2017: RMB5,485,000) due to tighter cost control over the previous period.

In January 2018, the Group entered into an agreement to dispose of its 100% equity interest in Fast Key Holdings Limited ("Fast Key") to former directors for an aggregate consideration of HK$950,000 (equivalent to approximately RMB790,000). Fast Key was principally engaged in provision of administrative support. The disposal was completed during the three months ended 31 March 2018, and a net loss on disposal of this subsidiary of RMB134,000 was recognised (see Note 8).

In April 2018, the Group entered into an agreement to dispose of its 90% equity interest in Guangzhou Mingwah Aohan High Technology Co., Ltd. to a third party for an aggregate consideration of RMB450,000 (see Note 9(ii)).

For the three months ended 31 March 2018, the Group's profit attributable to owners of the Company was approximately RMB599,000 (2017: RMB1,271,000).

## Prospect

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, 1 August 2017, 29 December 2017 and 20 April 2018, the Company entered into a placing agreement, the first supplemental placing agreement, the second supplemental placing agreement and the third supplemental placing agreement (collectively, the "Placing Agreements") with Fulbright Securities Limited (the "Placing Agent"). Pursuant to the Placing Agreements, 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"). On 7 July 2017, 1 August 2017, 29 December 2017 and 20 April 2018, the Company respectively entered into a subscription agreement, the first supplemental subscription agreement, the second supplemental subscription agreement and the third supplemental subscription agreement (collectively the "Subscription Agreements") with Googut Wine & Spirits Trading Company Limited (the "Subscriber"), a wholly owned subsidiary of Googut. Pursuant to the Subscription Agreements, 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 mandates as approved by shareholders at the first extraordinary general meeting and the first class meetings held on 26 September 2017, and at the second extraordinary general meeting and the second class meetings held on 5 March 2018, and to be sought at the third extraordinary general meeting and the third class meetings to be held on 19 June 2018.

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 (equivalent to approximately RMB76,560,000).

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.

### Provision for claims

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 for claim of approximately RMB5,000,000 was made based on a settlement agreement dated 12 January 2018 with Wenzhou Fuguo. The case was closed upon a full payment of RMB5,000,000 was made to Wenzhou Fuguo on 6 February 2018.

## DISCLOSURE OF INTERESTS

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

As at 31 March 2018, 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.

### (b) Interests discloseable under the SFO and substantial shareholders

So far as the Directors are aware, as at 31 March 2018, the persons or companies (not being a director or chief executive of the Company) have interests and/or long positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO, and who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are listed as follows:

| Name of substantial shareholder | Capacity | Number and class of securities | Approximate percentage of shares in the same class | Approximate percentage of total registered share capital |
|---|---|---|---|---|
| Shanghai Beiyan Enterprises Limited* (上海北燕實業有限公司) ("Shanghai Beiyan") (Note 1) | Beneficial owner | 172,640,000 domestic shares | 28.78% | 21.58% |
| Mr. Zheng Qi (鄭琪) (Note 2) | Interest in controlled corporation | 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. The Company has been informed by Mr. Li Qi Ming (a former director) on 4 January 2018 that he has completed the sale of 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 to Shanghai Beiyan, an independent third party. Details of the above are set out in the announcement of the Company dated 4 January 2018.

2. 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.

## SHARE OPTION SCHEME

The Company has not granted or issued any option up to 31 March 2018.

## 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 who were holding office as a director on 31 March 2018, the Directors confirmed that they had complied with the required standard set out in the Model Code during the three months ended 31 March 2018.

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 in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Company and provide advice and comments to the Directors. The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Gao Xiang Nong, Mr. 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 first quarterly result of the Company for the three months ended 31 March 2018, 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

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, such practice deviates from code provision A.2.1 of the CG Code. 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.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the three months ended 31 March 2018, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares.

## DIRECTORS

As at the date hereof, the executive Directors are Mr. Zhang Tao, Ms. Wang Hong and Mr. Chan Ngai Fan; the non-executive Director is Mr. Zhou Liang Hao; 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**
**Zhang Tao**
*Chairman*

Shenzhen, the PRC, 11 May 2018