



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

2020

Third Quarterly Report

CHARACTERISTICS OF 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 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, 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*)
Mr. Lang Yu
Mr. Liu Jianfeng

Non-Executive Director

Mr. Zhou Liang Hao

Independent Non-Executive Directors

Mr. Yu Xiuyang
Mr. Lau Shu Yan (resigned on 9 April 2020)
Mr. Wei Wei
Mr. Chan Chun Kit
(appointed on 6 August 2020)

Supervisors

Mr. Zhou Jie
Mr. You Xiaohua
Ms. Huang Sanhuan

AUDIT COMMITTEE

Mr. Chan Chun Kit (*Chairman*)
(appointed on 6 August 2020)
Mr. Lau Shu Yan
(resigned and ceased to be chairman
and a member on 9 April 2020)
Mr. Yu Xiuyang
Mr. Wei Wei
(appointed as chairman on 9 April 2020 and
re-designated to member on 6 August 2020)

NOMINATION COMMITTEE

Mr. Zhang Tao (*Chairman*)
(appointed as chairman on 9 April 2020)
Mr. Lau Shu Yan
(resigned and ceased to be chairman
and a member on 9 April 2020)
Mr. Yu Xiuyang
Mr. Chan Chun Kit (appointed on 6 August 2020)

REMUNERATION COMMITTEE

Mr. Yu Xiuyang (*Chairman*)
Mr. Lau Shu Yan (resigned on 9 April 2020)
Mr. Wei Wei
Mr. Chan Chun Kit (appointed on 6 August 2020)

CHIEF EXECUTIVE OFFICER

Mr. Zhang Tao

COMPANY SECRETARY

Ms. Leung Hoi Yan

COMPLIANCE OFFICER

Mr. Zhang Tao

AUTHORIZED REPRESENTATIVES

Ms. Leung Hoi Yan
Mr. Zhang Tao

AUDITOR

KTC Partners CPA Limited

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Zip Code: 518000

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Woon Lee Commercial Building
7–9 Austin Avenue
Tsim Sha Tsui, Kowloon
Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shops 1712–1716, 17th Floor, Hopewell
Centre
183 Queen’s Road East
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 2020, the unaudited revenue was approximately RMB10,154,000 which representing a decrease of approximately 75.2% as compared with the revenue of approximately RMB40,928,000 for the corresponding period of the previous year. The loss attributable to owners of the Company for the nine months ended 30 September 2020 was approximately RMB2,388,000 (2019: RMB9,657,000).
- Loss per share of the Group was approximately RMB0.30 cents for the nine months ended 30 September 2020 (2019: RMB1.21 cents).

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 2020 together with comparative figures for the corresponding period in 2019, 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 2020 and 30 September 2019

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	4	–	16,655	10,154	40,928
Cost of sales		–	(16,016)	(9,500)	(35,553)
Gross profit		–	639	654	5,375
Other income		–	23	22	1,111
Impairment losses under expected credit loss model, net of reversal		58	–	139	–
Distribution and selling expenses		(10)	(43)	(49)	(143)
General and administrative expenses		(1,793)	(6,968)	(4,139)	(15,032)
Finance cost		(189)	(442)	(639)	(704)
Gain on deregistration of subsidiaries	8	12	–	1,671	–
Share of result of joint ventures		–	(3)	–	(9)
Loss before taxation		(1,922)	(6,794)	(2,341)	(9,402)
Income tax expense	5	–	(255)	(47)	(255)
Loss for the period attributable to owners of the Company		(1,922)	(7,049)	(2,388)	(9,657)
Other comprehensive income		835	(725)	(50)	(1,848)
Total comprehensive income for the period		(1,087)	(7,774)	(2,438)	(11,505)
Total comprehensive income for the period attributable to owners of the Company		(1,087)	(7,774)	(2,438)	(11,505)
Dividend	6	–	–	–	–
Loss per share					
– Basic (cents)	7	(0.24)	(0.88)	(0.30)	(1.21)
– Diluted (cents)	7	N/A	N/A	N/A	N/A

Unaudited Condensed Consolidated Statement of Changes in Equity*For the nine months ended 30 September 2020 and 30 September 2019*

	Attributable to owners of the Company									
	Share capital	Share premium	Statutory				Accumulated losses	Sub-total	Non-controlling interest	Total
			Statutory surplus reserve	public welfare fund	Translation reserve					
			RMB'000	RMB'000	RMB'000	RMB'000				
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		
At 1 January 2019	80,000	71,974	5,040	2,411	(897)	(141,816)	16,712	347	17,059	
Loss for the period	-	-	-	-	-	(9,657)	(9,657)	-	(9,657)	
Other comprehensive income for the period	-	-	-	-	(1,848)	-	(1,848)	-	(1,848)	
At 30 September 2019	80,000	71,974	5,040	2,411	(2,745)	(151,473)	5,207	347	5,554	
At 1 January 2020	80,000	71,974	5,040	2,411	(1,360)	(179,243)	(21,178)	347	(20,831)	
Loss for the period	-	-	-	-	-	(2,388)	(2,388)	-	(2,388)	
Other comprehensive income for the period	-	-	-	-	(50)	-	(50)	-	(50)	
Deregistration of a subsidiary (Note 8(i))	-	-	(321)	(160)	-	481	-	(347)	(347)	
At 30 September 2020	80,000	71,974	4,719	2,251	(1,410)	(181,150)	(23,616)	-	(23,616)	

Notes to the unaudited Condensed Financial Statements

For the nine months ended 30 September 2020

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 unaudited condensed consolidated results of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively "HKFRSs"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The accounting policies adopted in preparing the unaudited condensed consolidated results for the nine months ended 30 September 2020 are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2019, except for the change in accounting policies due to the revised HKFRSs, which are described in Note 3.

The condensed consolidated results for the nine months ended 30 September 2020 are unaudited but have been reviewed by the audit committee of the Company.

The Group has not early adopted the new and revised standards and amendments to standards that have been issued but are not yet effective for the nine months ended 30 September 2020.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the new and revised standards in the current interim period has had no material impact on the amounts reported in these condensed consolidated financial statements and/or disclosures set in these condensed consolidated financial statements.

4. REVENUE

Revenue represents the net amounts received and receivable for goods sold to outside customers, and is summarised as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Sales of card and card related products	–	–	87	5,307
Sales of liquor products	–	16,655	10,067	35,621
	–	16,655	10,154	40,928

5. 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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
PRC enterprise income tax				
Current period	–	255	47	255

PRC enterprise income tax of the Group is calculated at the applicable rate of 25% (2019: 25%) on estimated assessable profits.

The Group does not have any significant unprovided deferred taxation as at the 30 September 2020 and 31 December 2019.

6. 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 2020 (2019: Nil).

7. LOSS PER SHARE

The calculation of basic loss per share for the nine months ended 30 September 2020 is based on the unaudited net loss attributable to the owners of the Company for the relevant period of approximately RMB2,388,000 (2019: RMB9,657,000) and the weighted average number of 800,000,000 shares (2019: 800,000,000 shares).

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

8. GAIN ON DEREGISTRATION OF SUBSIDIARIES

- (i) On 26 March 2020, the Group deregistered Shenzhen Mingwah Aohan Electronic Equipment Co., Ltd (深圳市明華澳漢電子設備有限公司), a 80% owned subsidiary in the PRC which was inactive.

	RMB'000
Trade receivables	1
Other payables	(26)
Value-added tax payable	(1,287)
	<hr/>
	(1,312)
Non-controlling interest	(347)
	<hr/>
Gain on deregistration	(1,659)

- (ii) On 24 September 2020, the Group deregistered Shanghai Yongning Technology Co., Ltd. (上海勇凝科技有限公司), a 100% owned subsidiary in the PRC which was inactive.

	RMB'000
Bank balances and cash	1
Other payables	(13)
	<hr/>
Gain on deregistration	(12)

The subsidiaries deregistered during the period ended 30 September 2020 had no significant impact on the turnover and results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operations Review

During the nine months ended 30 September 2020 (the “period under review”), the Group has been principally engaged in the business of (i) the provision of application development services and application systems in the People’s Republic of China (the “PRC”) (the “Card and Related Products Business”); and (ii) the trading of liquor products in the PRC (the “Wine Business”).

Since early 2020, the epidemic associated with a novel coronavirus (the “COVID-19 Outbreak”) has spread across China and other countries, which adversely affected the economy, infrastructure and livelihood of the people in the PRC and across the globe. As a result, the Group’s overall operation and business for the period under review was adversely affected.

THE CARD AND RELATED PRODUCTS BUSINESS

During the period under review, the Group’s Card and Related Products Business continued to face the adverse market environment and intensified competition. As a result and coupled with the impact due to the COVID-19 Outbreak, the revenue attributable to the Card and Related Products Business decreased significantly to approximately RMB87,000 for the nine months ended 30 September 2020 from approximately RMB5,307,000 for the corresponding period of the previous year.

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 in 2016 with Googut Wine & Spirits Co., Ltd. (歌德盈香股份有限公司) (“Googut”, together with its subsidiaries the “Googut Group”), a substantial shareholder of the Company; (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.

The Group reformulated its business strategies with Googut to leverage on Googut’s distribution channel and customer base in the PRC in 2019 with a view to counter the adverse influence on the sales of the Moutai liquor from the anti-graft campaign in the PRC.

However, the COVID-19 Outbreak led to the slowdown in the domestic and global wine industry. As a result of the Group's revenue attributable to the Wine Business decreased to approximately RMB10,067,000 for the nine months ended 30 September 2020 from approximately RMB35,621,000 for the corresponding period of the previous year, and the negotiation and implementation progress in relation to the Company's strategies in expanding its Wine Business has been adversely affected. In light of the above, 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

REVENUE, COST OF SALES, GROSS PROFIT

Due to the unfavorable business environment as caused by the COVID-19 Outbreak, the Group recorded a revenue of approximately RMB10,154,000 for the nine months ended 30 September 2020, representing a decrease of approximately 75.2% as compared with the revenue of approximately RMB40,928,000 for the corresponding period of the previous year.

The Group's cost of sales for the nine months ended 30 September 2020 decreased by approximately 73.3% to approximately RMB9,500,000 (2019: approximately RMB35,553,000). The gross profit of the Group for the nine months ended 30 September 2020 amounted to approximately RMB654,000, with a decrease of approximately 87.8% as compared with the gross profit of approximately RMB5,375,000 in corresponding period of the previous year mainly due to significant decrease in revenue. The gross profit margin for the nine months ended 30 September 2020 decreased to 6.4% from 13.1% for the corresponding period of previous year mainly due to the decrease in percentage of the revenue generated from the Card and Related Products Business (from approximately 13.0% of the total revenue for the corresponding period of 2019 to approximately 0.9% of that for the period under review) which yields a relatively higher gross profit margin.

ADMINISTRATIVE AND OTHER OPERATING COSTS

For the nine months ended 30 September 2020, the Group's distribution and selling expenses decreased to approximately RMB49,000 from approximately RMB143,000 for the corresponding period of the previous year. The decrease was mainly due to the decrease in distribution and sales of products during the period under review.

For the nine months ended 30 September 2020, the Group's general and administrative expenses decreased by approximately 72.5% to approximately RMB4,139,000 (2019: approximately RMB15,032,000). The decrease was mainly due to the decrease in staff costs and other expenses as the result of the Group's cost control measures during the period under review.

For the nine months ended 30 September 2020, the finance cost decreased slightly by 9.2% to approximately RMB639,000 as compared to approximately RMB704,000 for the corresponding period in the previous year. These financial costs represented the interests on borrowing from independent third parties and interest on lease liabilities for the nine months ended 30 September 2020.

During the period under review, the income tax expense amounted to approximately RMB47,000 (2019: RMB255,000).

DEREGISTRATION OF SUBSIDIARIES

Details of the deregistration of subsidiaries during the period under review are set out in Note 8 to the consolidated financial statements.

Event(s) After the Reporting Period

In December 2019, the Company received a letter dated 20 December 2019 from the Stock Exchange, which serves a notice that the Stock Exchange considered that the Company has failed to maintain a sufficient level of operations and assets of sufficient value to support its operations under Rule 17.26 of the GEM Listing Rules to warrant the continued listing of the Shares of the Company, and has therefore decided to suspend trading in the Shares under Rule 9.04(3) of the GEM Listing Rules (the "Decision").

On 3 January 2020, the Company submitted a written request to apply for the Decision to be referred to the GEM Listing Committee for review. Subsequent to the review hearing held in October 2020, the Company received a letter from the GEM Listing Committee informing the Company of their decision (the "Review Decision") to uphold the Decision. The Company decided not to exercise its rights to have the Review Decision referred to the GEM Listing Review Committee for review under Chapter 4 of the GEM Listing Rules and the trading in the Shares on the Stock Exchange was suspended with effect from 12 November 2020 accordingly.

Please refer to the announcements of the Company dated 23 December 2019, 3 January 2020, 2 November 2020, 3 November 2020 and 11 November 2020 for details.

The Company will seek the professional advice in regards to the resumption of trading of its Shares and would update the progress through further announcements as and when appropriate and in accordance with the GEM Listing Rules.

Prospect

The Group's business, financial position and results of operations during the period under review was affected by the COVID-19 Outbreak.

With the uncertainties and challenges amid the COVID-19 Outbreak, the Group's operation in the card and application market is expected to face further challenges and fiercer competition, whilst the downturn in domestic and global wine industry would continue to impact the Group's Wine Business. As such, the Group will continue to review the operation and evaluate the performance of the Card and Related Products Business and the Wine Business regularly to ensure timely adjustments in its business strategies.

In order to ease the adverse impact brought about by the COVID-19 Outbreak, the Company has implemented stringent cost control and inventory management measures which led to a significant decrease in the Group's general and administrative cost. The Group will continue to implement and review its cost control and inventory management measures from time to time to ensure its effectiveness in avoiding unnecessary cost expenses.

In addition, the Group is currently liaising with its customers and debtors and expects to gradually recover the outstanding trade receivables to strengthen the Group's cash position, and will negotiate with certain bankers to obtain bank facilities as and when necessary. The Group will continue to adjust its strategy to explore further business opportunities, review the performance of its distribution channels and make necessary adjustments as and when necessary.

Litigations

As at 30 September 2020, there were no significant legal claims against the Group.

Dividend

The Directors do not recommend the payment of dividend for the nine months ended 30 September 2020 (2019: Nil).

DISCLOSURE OF INTERESTS

1. Directors', chief executives' and supervisors' interest in shares, underlying shares and debentures of the Company and its associated corporations

As at 30 September 2020, none of the Directors, supervisors and chief executives of the Company had any interests or short positions 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 of Hong Kong ("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.

2. 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 2020, 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 Beiyuan Enterprises Limited* (上海北燕實業有限公司) ("Shanghai Beiyuan")	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%

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
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%

Notes:

- The letter "L" denotes the shareholders' long position in the shares of the Company.
- 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 2020, these 58,240,000 domestic shares were held by Zhuoyu Hengtai, subject to the completion of the equity transfer agreement.
- Mr. Zheng Qi owned 80% of the shares of Shanghai Beiyuan. By virtue of the SFO, Mr. Zheng Qi is deemed to be interested in the shares of the Company held by Shanghai Beiyuan.

* For identification purposes only

Save as disclosed above, as at 30 September 2020, 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 2020.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the period under review 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 Rules 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 2020.

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 Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. To the best knowledge and belief of the Directors, all relevant employees have complied with the required standard of such code.

AUDIT COMMITTEE

The audit committee of the Company (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 2020, 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 CG Code. 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. The Company has complied with the CG Code throughout the nine months ended 30 September 2020, except for the following deviations:

- (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 as at the date of this report, 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. Due to the restrictions in force in China by relevant PRC authorities in the attempt to contain the COVID-19 Outbreak, (a) Mr. Zhou Liang Hao, Mr. Yu Xiuyang, Mr. Lau Shu Yan and Mr. Wei Wei did not attend the extraordinary general meeting of the Company held on 3 February 2020; and (b) Mr. Chan Chun Kit did not attend the annual general meeting of the Company held on 28 August 2020.

- (c) With respect to code provision C.1.3 of the CG Code, unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis. The Directors are aware of material uncertainties that may cast doubt on the Company's going concern as stated in the independent auditors' report for the year ended 31 December 2019 (for details please refer to the independent auditor's report set out on pages 35 to 103 of the 2019 Annual Report). In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group and adopted the going concern in view of the effectiveness of its cost control measures, the expected recovery of trade receivables from customers or debtors, and the availability of external bank facilities, and the Group has continued to (a) implement cost control and inventory management measures to avoid incurring unnecessary cost expenses; and (b) implement debt recovery measures to strengthen the Group's cash position and liaise with external bankers to obtain bank facilities as and when necessary, as to enable it to meet its liabilities when they fall due and carry on its business without a significant impact or restrictions to its operations.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The consolidated financial statements do not include any of these adjustments that would result from the failure to continue to operate as a going concern.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the nine months ended 30 September 2020, 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. Yu Xiuyang, Mr. Wei Wei and Mr. Chan Chun Kit.

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

Shenzhen, the PRC, 13 November 2020