



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)

First Quarterly Report For the Three Months Ended 31 March 2005

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This report, for which the board of 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.

* For identification purpose only

HIGHLIGHTS

- For the three months ended 31 March 2005, the unaudited turnover of the Group was approximately RMB25,677,000, which represents a decrease of approximately 6.95% as compared to that of the corresponding period in previous year. The unaudited net profit of the Group decreased by approximately 82.74% to approximately RMB355,000 as compared to that of the corresponding period last year.
- Earnings per share of the Group was approximately RMB0.07 cents for the three months ended 31 March 2005.

To all shareholders,

The Directors would like to announce the unaudited condensed consolidated quarterly results of the Group for the three months ended 31 March 2005, together with the comparative unaudited figures for the corresponding period in 2004, as follows:

Unaudited Condensed Consolidated Income Statement

For the three months ended 31 March 2005

		For the three months ended 31 March	
	Notes	2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)
Turnover	2	25,677	27,596
Cost of sales		<u>(17,802)</u>	<u>(18,397)</u>
Gross profit		7,875	9,199
Other operating income		158	15
Distribution costs		(2,284)	(2,296)
Administrative expenses		(4,770)	(3,240)
Other operating expenses		<u>(3)</u>	<u>—</u>
Profit from operations		976	3,678
Finance costs		<u>(648)</u>	<u>(1,079)</u>
Profit before taxation		328	2,599
Taxation	3	<u>(114)</u>	<u>(533)</u>
Profit before minority interests		214	2,066
Minority interests		<u>141</u>	<u>(9)</u>
Net profit for the period		<u>355</u>	<u>2,057</u>
Dividend	4	<u>—</u>	<u>—</u>
Earnings per share			
— Basic	5	<u>0.07 cents</u>	<u>0.61 cents</u>

Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2005

	Paid-up capital	Share premium	Statutory surplus reserve	Statutory public welfare fund	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
At 1 January 2004	33,800	—	4,301	2,151	14,500	54,752
Net profit for the period	—	—	—	—	2,057	2,057
	<u>33,800</u>	<u>—</u>	<u>4,301</u>	<u>2,151</u>	<u>16,557</u>	<u>56,809</u>
At 31 March 2004	<u>33,800</u>	<u>—</u>	<u>4,301</u>	<u>2,151</u>	<u>16,557</u>	<u>56,809</u>
At 1 January 2005	52,000	17,574	5,786	2,894	33,201	111,455
Net profit for the period	—	—	—	—	355	355
	<u>52,000</u>	<u>17,574</u>	<u>5,786</u>	<u>2,894</u>	<u>33,556</u>	<u>111,810</u>
At 31 March 2005	<u>52,000</u>	<u>17,574</u>	<u>5,786</u>	<u>2,894</u>	<u>33,556</u>	<u>111,810</u>

Notes to the Condensed Financial Statement

For the three months ended 31 March 2005

1. BASIS OF PREPARATION

The accounting policies adopted in preparing the unaudited condensed consolidated results are consistent with those followed in the annual financial statements for the year ended 31 December 2004. The unaudited consolidated results have been prepared under the historical cost convention and in accordance with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance and the GEM Listing Rules. The condensed consolidated results are unaudited but have been reviewed by the Company's audit committee.

In 2004, the HKICPA issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRS") which are effective for accounting periods beginning on or after 1 January 2005. The adoption of these HKFRS has no material impact on the Group's results of operations and financial position.

2. TURNOVER

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

	For the three months ended 31 March	
	2005	2004
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of cards	18,557	24,908
Sales of non-card products	<u>7,120</u>	<u>2,688</u>
	<u>25,677</u>	<u>27,596</u>

3. TAXATION

The charge represents enterprise income tax in the PRC.

PRC enterprise income tax of the Group is calculated at the applicable rate ranging from 15% to 33% on estimated assessable profits.

There is no share of taxation of the jointly controlled entity as the jointly controlled entity did not have any assessable profits for the three months ended 31 March 2005 (2004: Nil).

The Group does not have any significant unprovided deferred taxation as at 31 March 2004 and 31 March 2005.

4. 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 2005 (2004: Nil).

5. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 31 March 2005 is based on the unaudited net profit for the relevant period of approximately RMB355,000 (2004: approximately RMB2,057,000) and the weighted average number of 520,000,000 shares (2004: 338,000,000 shares).

Diluted earnings per share is not presented as there were no potential ordinary shares outstanding during either period.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's turnover for the three months ended 31 March 2005 was approximately RMB25,677,000 (2004: approximately RMB27,596,000), representing a decrease of approximately 6.95% as compared to the corresponding period in last year. Such decrease was mainly due to the drop in sales of the Company's high-end products during the first quarter of 2005.

With respect to the cost of sales, the Group dedicated to control its cost of sales at a steady level. The gross profit for the three months ended 31 March 2005 was decreased by approximately 14.39% to approximately RMB7,875,000 (2004: approximately RMB9,199,000), with gross profit margin of 30.67% (2004: 33.33%) as compared with the corresponding period in last year. Such decrease was in line with the decrease in turnover.

In comparison with the corresponding period of last year, the distribution costs decreased by approximately 0.52% to approximately RMB2,284,000 (2004: approximately RMB2,296,000) due to the decrease in sales volume. The administrative expenses increased by approximately 47.22% to approximately RMB4,770,000 (2004: approximately RMB3,240,000) was mainly attributable to an increase in research and development expenses and professional fees borne by the Company after listing. The finance costs decreased by approximately 39.94% to approximately RMB648,000 (2004: approximately RMB1,079,000) due to the decrease in the Company's corporate loan.

For the three months ended 31 March 2005, the Group's profit attributable to the shareholders were approximately RMB355,000 (2004: approximately RMB2,057,000) representing a decrease of approximately 82.74% as compared with the same period in last year. The decrease was mainly due to decrease in sales of the Group and increase in administrative fees.

Prospects

The Group aims at becoming the leading player in the PRC's smart card manufacturing industry, promoting the brandname of "M&W" as a recognized brand in the PRC's smart card industry and placing great emphasis on the development of high-end products in the field of information security. In recognition of the huge market potential in the area of information security, the Group plans to secure a dominant position in such field by leveraging on its expertise and competitive advantages in the card business with an objective to achieve business diversification of the Group.

For the current year, the Group continues to put extensive effort in the marketing of eKey and smart cards, as well as strengthen the research and development of its products, in order to enlarge its market share. The Group will adhere to its operating strategies and objectives, with an aim to maintain its edge in the market and technology advancement.

The Group will continue to strengthen its competitiveness and product innovation to bring considerable return to the shareholders.

DISCLOSURE OF INTERESTS

(a) Directors', Chief Executives' and Supervisors' interest in shares

As at 31 March 2005, the interests and long positions of the Directors, the Chief Executive and the Supervisors and their respective associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO"), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by directors referred to in Rule 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name of Director/ Chief Executive/ Supervisor	Capacity	Number and class of securities	Approximate percentage of domestic shares	Approximate percentage of total registered share capital
Mr. Li Qi Ming	Beneficial owner	229,840,000 domestic shares	68.00%	44.20%
Mr. Zhu Qing Feng	Beneficial owner	50,700,000 domestic shares	15.00%	9.75%
Mr. Guo Bao An	Beneficial owner	10,140,000 domestic shares	3.00%	1.95%
Mr. Han Ruo Pin	Beneficial owner	3,380,000 domestic shares	1.00%	0.65%
Mr. Li Guang Ming (<i>Note</i>)	Held by controlled corporation	11,830,000 domestic shares	3.50%	2.27%

Note: Mr. Li Guang Ming holds an 80% equity interest in Jianheng Holding Company Limited ("Jianheng Holding"). Mr. Li Guang Ming is deemed to be interested in the same number of shares held by Jianheng Holding under the SFO.

Other than the holdings disclosed above, none of the Company's directors, chief executives, supervisors, and their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 March 2005.

(b) Interests discloseable under the SFO and substantial shareholders

So far as the Directors are aware, as at 31 March 2005, 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 shareholders	Capacity	Number and class of securities	Approximate percentage of domestic shares	Approximate percentage of total registered share capital
Neon Liberty Capital Management, LLC	Beneficial owner	41,250,000 H shares	—	20.60%
Wong Pak Hung	Beneficial owner	24,744,000 H shares	—	12.36%
Princes MB Asset Management Corp.	Beneficial owner	12,368,000 H shares	—	6.18%

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 conflict of interest with any member of the Group or any interest in a business which competes or may compete with the business of any member of the Group during the period under review.

SPONSORS' INTERESTS

Pursuant to a sponsor agreement dated 2 July 2004 made between the Company and Barits Securities (Hong Kong) Limited ("Barits"), Barits has been appointed as the sponsor to the Company as required under the GEM Listing Rules at a fee for the period from the Listing Date to 31 December 2006.

None of Barits, its directors, employees or any of their respective associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had accrued any material benefits or had a directorship in or had any interest in any class of securities of any member of the Group (including options or rights to subscribe for such securities but excluding interests in such

securities subscribed by any director or employee of Barits pursuant to an offer by way of public subscription made by the Company) as a result of the listing or any transaction of the Company for the three months ended 31 March 2005.

AUDIT COMMITTEE

The Company has established an audit committee on 19 June 2004 with written terms of reference in compliance with Rules 5.28 and 5.29 of 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 comprises three independent non-executive Directors, namely, Mr. Gao Xiang Nong, Mr. Li Quan Sheng and Mr. Zhang Yu Chuan. 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 2005.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

The Company's shares were listed on 7 July 2004. Except for the Placing of shares of the Company on GEM of the Stock Exchange, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

DIRECTORS

As at the date hereof, the executive directors of the Company are Mr. Li Qi Ming, Mr. Zhu Qing Feng, Mr. Guo Bao An, Mr. Zheng Wen, Mr. Wang Zheng Guo and Mr. Li Guang Ming; the independent non-executive directors of the Company are Mr. Gao Xiang Nong, Mr. Li Quan Sheng and Mr. Zhang Yu Chuan.

By Order of the Board
Li Qi Ming
Chairman

12 May 2005, Shenzhen, the PRC