



**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

First Quarterly Report  
For The Three Months  
Ended 31 March 2007



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## 明華澳漢

深圳市明華澳漢科技股份有限公司

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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.*

\* for identification purpose only



## HIGHLIGHTS

- For the three months ended 31 March 2007, the unaudited turnover of the Group is approximately RMB19.7 million, representing a decrease of approximately 21.9% as compared to that of the corresponding period in previous year. The Group sustained a loss of approximately RMB0.8 million for the three months ended 31 March 2007.
- Loss per share of the Group is approximately RMB0.15 cents for the three months ended 31 March 2007.



**To all shareholders,**

The board of Directors (the "Board") would like to announce the unaudited condensed consolidated quarterly results of the Group for the three months ended 31 March 2007 ("First Quarter"), together with the comparative unaudited figures for the corresponding period in 2006, as follows:

**THE FINANCIAL STATEMENTS**

**Unaudited Condensed Consolidated Income Statement**

*For the three months ended 31 March 2007*

|                                  | Notes | For the three months ended 31 March |                                |
|----------------------------------|-------|-------------------------------------|--------------------------------|
|                                  |       | 2007<br>RMB'000<br>(Unaudited)      | 2006<br>RMB'000<br>(Unaudited) |
| Turnover                         | 3     | 19,704                              | 25,224                         |
| Cost of sales                    |       | (13,856)                            | (18,640)                       |
| Gross profit                     |       | 5,848                               | 6,584                          |
| Other operating income           |       | 182                                 | 12                             |
| Distribution costs               |       | (1,513)                             | (1,398)                        |
| Administrative expenses          |       | (3,807)                             | (3,546)                        |
| Other operating expenses         |       | (8)                                 | (1)                            |
| Profit from operations           |       | 702                                 | 1,651                          |
| Finance costs                    |       | (1,363)                             | (1,277)                        |
| (Loss)/profit before taxation    |       | (661)                               | 374                            |
| Income tax expenses              | 4     | (10)                                | (97)                           |
| Net (loss)/profit for the period |       | (671)                               | 277                            |
| Attributable to:                 |       |                                     |                                |
| Equity holders of the parent     |       | (790)                               | 552                            |
| Minority interests               |       | 119                                 | (275)                          |
|                                  |       | (671)                               | 277                            |
| Dividend                         | 5     | —                                   | —                              |
| (Loss)/earnings per share        |       |                                     |                                |
| – Basic                          | 6     | (0.15 cents)                        | 0.11 cents                     |



## Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2007

|                                     | <b>Paid-up<br/>capital</b> | <b>Share<br/>premium</b> | <b>Statutory<br/>surplus<br/>reserve</b> | <b>Statutory<br/>public<br/>welfare<br/>fund</b> | <b>Retained<br/>profits</b> | <b>Total</b>       | <b>Minority<br/>interest</b> | <b>Total</b>       |
|-------------------------------------|----------------------------|--------------------------|--|--|-----------------------------|--------------------|------------------------------|--------------------|
|                                     | <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>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> | <i>(unaudited)</i>           | <i>(unaudited)</i> |
| At 1 January 2006                   | 52,000                     | 17,574                   | 5,908                                    | 2,955  | 6,531                       | 84,968             | 4,467                        | 89,435             |
| Net profit/(loss) for<br>the period | —                          | —                        | —  | —  | 552                         | 552                | (275)                        | 277                |
| At 31 March 2006                    | <u>52,000</u>              | <u>17,574</u>            | <u>5,908</u>                             | <u>2,955</u>                                     | <u>7,083</u>                | <u>85,520</u>      | <u>4,192</u>                 | <u>89,712</u>      |
| At 1 January 2007                   | 52,000                     | 17,574                   | 5,908                                    | 2,955  | (6,690)                     | 71,747             | 4,004                        | 75,751             |
| Net (loss)/profit<br>for the period | —                          | —                        | —  | —  | (790)                       | (790)              | 119                          | (671)              |
| At 31 March 2007                    | <u>52,000</u>              | <u>17,574</u>            | <u>5,908</u>                             | <u>2,955</u>                                     | <u>(7,480)</u>              | <u>70,957</u>      | <u>4,123</u>                 | <u>75,080</u>      |



## Notes to the Unaudited Condensed Financial Statements

For the three months ended 31 March 2007

### 1. GENERAL

The Company is a public limited company incorporated in the People's Republic of China (the "PRC") and its H shares are listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Group is principally engaged in design, development and manufacture of IC cards, magnetic cards, related equipment and application systems in the PRC.

### 2. BASIS OF PREPARATION

The accompanying unaudited condensed consolidated results of the Group are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and applicable disclosure requirements of Hong Kong Companies Ordinance and 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 2006.

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

### 3. TURNOVER

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

|                            | For the three months<br>ended 31 March |               |
|----------------------------|--|---------------|
|                            | 2007                                   | 2006          |
|                            | RMB'000                                | RMB'000       |
|                            | (Unaudited)                            | (Unaudited)   |
| Sales of card products     | 17,732                                 | 23,492        |
| Sales of non-card products | 1,972                                  | 1,732         |
|                            | <u>19,704</u>                          | <u>25,224</u> |



#### 4. INCOME TAX EXPENSES

The charge represents enterprise income tax in the PRC.

|                                       | For the three months<br>ended 31 March |             |
|---------------------------------------|--|-------------|
|                                       | 2007                                   | 2006        |
|                                       | RMB'000                                | RMB'000     |
|                                       | (Unaudited)                            | (Unaudited) |
| PRC enterprise income tax             |  |             |
| Current period                        | 4                                      | 301         |
| Under/(Over)-provision in prior years | 6                                      | (204)       |
|                                       | <u>10</u>                              | <u>97</u>   |

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 2007 (2006: Nil).

The Group did not have any significant unprovided deferred taxation as at 31 March 2006 and 31 March 2007.

#### 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 2007 (2006: Nil).

#### 6. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share for the three months ended 31 March 2007 is based on the unaudited net loss for the relevant period of approximately RMB790,000 (2006: profit of approximately RMB552,000) and the weighted average number of 520,000,000 shares (2006: 520,000,000 shares).

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



## FINANCIAL REVIEW

The Group's turnover for the three months ended 31 March 2007 is approximately RMB19,704,000 (2006: approximately RMB25,224,000), representing a decline of approximately 21.9% as compared to the corresponding period in 2006. Such decline is mainly due to the keen marketing competition in card products during the First Quarter.

With respect to the cost of sales, the Group has attempted to control its cost of sales at a steady level. The gross profit for the three months ended 31 March 2007 is decreased by approximately 11.2% to approximately RMB5,848,000 (2006: approximately RMB6,584,000), with gross profit margin of 29.7% (2006: 26.1%) as compared with the same period in 2006. The increase in gross profit margin is mainly due to the drop of sale orders with lower profit margin.

In comparison with the same period in 2006, the distribution costs is increased by approximately 8.2% to approximately RMB1,513,000 (2006: approximately RMB1,398,000) due to the increase in cost. The administrative expenses is increased by approximately 7.4% to approximately RMB3,807,000 (2006: approximately RMB3,546,000) is mainly due to an incremental costs.

For the three months ended 31 March 2007, the Group's loss attributable to the shareholders is approximately RMB790,000 (2006: profit of approximately RMB552,000). The loss is mainly due to decrease in sales.

## PROSPECTS

The Group aims at becoming the leading player in the PRC's smart card manufacturing industry, promoting the brand name 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.

The Group will continue 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 2007, 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/<br>Chief Executive/<br>Supervisor | Capacity                          | Number and<br>class of<br>securities | Approximate<br>percentage of<br>domestic shares | Approximate<br>percentage of<br>total registered<br>share capital |
|---|-----------------------------------|--------------------------------------|---|---|
| Mr. Li Qi Ming                                      | Beneficial owner                  | 229,840,000<br>domestic shares       | 71.87%  | 44.20%  |
| Mr. Zhu Qing Feng                                   | Beneficial owner                  | 50,700,000<br>domestic shares        | 15.85%  | 9.75%   |
| Mr. Han Ruo Pin                                     | Beneficial owner                  | 3,380,000<br>domestic shares         | 1.06%   | 0.65%   |
| Mr. Li Wen Jun                                      | Beneficial owner                  | 3,380,000<br>domestic shares         | 1.06%   | 0.65%   |
| Mr. Li Guang Ming<br>(Note)                         | Held by controlled<br>corporation | 11,830,000<br>domestic shares        | 3.70%   | 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 as 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 2007.



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

So far as the Directors are aware, as at 31 March 2007, 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:

| <b>Name of substantial shareholders</b> | <b>Capacity</b>                   | <b>Number and class of securities</b> | <b>Approximate percentage of H shares</b> | <b>Approximate percentage of total registered share capital</b> |
|---|-----------------------------------|---------------------------------------|---|---|
| UBS AG                                  | Person having a security interest | 29,514,000<br>H shares                | 14.74%                                    | 5.68%   |
| Neon Liberty Capital Management, LLC    | Beneficial owner                  | 29,522,000<br>H shares                | 14.75%                                    | 5.68%   |
| Neon Liberty Emerging Markets Fund, Ltd | Beneficial owner                  | 22,021,239<br>H shares                | 11.00%                                    | 4.23%   |
| Wu Di                                   | Beneficial owner                  | 32,280,000<br>H shares                | 16.12%                                    | 6.21%   |
| Princeps MB Asset Management Corp.      | Beneficial owner                  | 11,416,000<br>H shares                | 5.70%                                     | 2.20%   |



## **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 First Quarter.

## **AUDIT COMMITTEE**

The Company has established an audit committee since 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 2007.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

During the three months ended 31 March 2007, 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 of the Company are Mr. Li Qi Ming, Mr. Zhu Qing Feng, Mr. Li Wen Jun and Mr. Li Guang Ming, and 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*

Shenzhen, the PRC, 11 May 2007