



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

Third Quarterly Report
For The Nine Months
Ended 30 September 2007



* For identification purpose only

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid reports in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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: 1. the information contained in this report is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this report misleading; and 3. 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.

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HIGHLIGHTS

- For the nine months ended 30 September 2007, unaudited turnover increased from approximately RMB65,160,000 to approximately RMB67,277,000, representing a slight increase of approximately 3.2% as compared to that of the same period in previous year. The Group sustained a loss of RMB1,435,000 (2006: RMB1,213,000) for the nine months ended 30 September 2007.
- Loss per share of the Group was approximately RMB0.28 cents for the nine months ended 30 September 2007.



To all shareholders,

The Directors are pleased to announce the unaudited condensed consolidated quarterly results of the Group for the three months and nine months ended 30 September 2007 together with comparative figures for the corresponding periods in the previous year, as follows:

THE FINANCIAL STATEMENTS

Unaudited Condensed Consolidated Income Statement

For the three months and nine months ended 30 September 2007 and 30 September 2006

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
Turnover	3	23,295	12,393	67,277	65,160
Cost of sales		(19,256)	(9,142)	(51,350)	(49,695)
Gross profit		4,039	3,251	15,927	15,465
Other operating income		497	171	1,477	385
Distribution costs		(1,144)	(1,448)	(4,275)	(4,180)
Administrative expenses		(2,747)	(3,926)	(10,147)	(10,652)
Other operating expenses		—	—	(100)	(49)
Profit/(loss) from operations		645	(1,952)	2,882	969
Finance costs		(956)	(604)	(3,663)	(2,432)
Loss before taxation		(311)	(2,556)	(781)	(1,463)
Income tax expense	4	(192)	94	(218)	60
Loss for the period		(503)	(2,462)	(999)	(1,403)
Attributable to:					
Equity holders of the parent		(667)	(2,308)	(1,435)	(1,213)
Minority interest		164	(154)	436	(190)
		(503)	(2,462)	(999)	(1,403)
Dividend	5	—	—	—	—
Loss per share					
-Basic	6	(0.13 cents)	(0.44 cents)	(0.28 cents)	(0.23 cents)



Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2007 and 30 September 2006

	Paid-up capital RMB'000 <i>(unaudited)</i>	Share premium RMB'000 <i>(unaudited)</i>	Statutory (Accumulated public losses)/ welfare retained			Total RMB'000 <i>(unaudited)</i>	Minority interest RMB'000 <i>(unaudited)</i>	Total RMB'000 <i>(unaudited)</i>
			surplus reserve RMB'000 <i>(unaudited)</i>	fund RMB'000 <i>(unaudited)</i>	profits RMB'000 <i>(unaudited)</i>			
At 1 January 2006	52,000	17,574	5,908	2,955	6,531	84,968	4,467	89,435
Net loss for the period	—	—	—	—	(1,213)	(1,213)	(190)	(1,403)
At 30 September 2006	<u>52,000</u>	<u>17,574</u>	<u>5,908</u>	<u>2,955</u>	<u>5,318</u>	<u>83,755</u>	<u>4,277</u>	<u>88,032</u>
At 1 January 2007	52,000	17,574	5,908	2,955	(6,690)	71,747	4,004	75,751
Net (loss)/profit for the period	—	—	—	—	(1,435)	(1,435)	436	(999)
At 30 September 2007	<u>52,000</u>	<u>17,574</u>	<u>5,908</u>	<u>2,955</u>	<u>(8,125)</u>	<u>70,312</u>	<u>4,440</u>	<u>74,752</u>



Notes to the Condensed Financial Statements

For the nine months ended 30 September 2007

1. GENERAL

The Company is a public limited liability 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 the GEM Listing Rules. They have been prepared under historical cost convention. The accounting policies adopted are consistent with those adopted by the Group for the preparation of its 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 ended 30 September		For the nine months ended 30 September	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
Sale of card products	21,163	10,221	60,950	58,515
Sale of non-card products	2,132	2,172	6,327	6,645
	<u>23,295</u>	<u>12,393</u>	<u>67,277</u>	<u>65,160</u>



4. INCOME TAX EXPENSE

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2007 <i>RMB'000</i> <i>(Unaudited)</i>	2006 <i>RMB'000</i> <i>(Unaudited)</i>	2007 <i>RMB'000</i> <i>(Unaudited)</i>	2006 <i>RMB'000</i> <i>(Unaudited)</i>
PRC enterprise income tax				
Current period	192	(94)	198	148
Under/(Over)-provision in prior years	—	—	20	(208)
	<u>192</u>	<u>(94)</u>	<u>218</u>	<u>(60)</u>

No provision for Hong Kong profits tax has been made as there were no estimated assessable profits arising in Hong Kong during the period.

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

No deferred tax asset has been recognised due to the unpredictability of future profit streams.

5. DIVIDEND

No dividend was paid during the period. The directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2007 (2006: Nil).

6. LOSS PER SHARE

The calculation of basic loss per share for the nine months ended 30 September 2007 is based on the unaudited net loss for the relevant period of approximately RMB1,435,000 (2006: approximately RMB1,213,000) and the weighted average number of 520,000,000 shares (2006: 520,000,000 shares).

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



MANAGEMENT DISCUSSION AND ANALYSIS

(i) Financial Review

The Group's turnover for the nine months ended 30 September 2007 was approximately RMB67,277,000 (2006: approximately RMB65,160,000), representing a slight increase of approximately 3.2% as compared to the corresponding period in 2006.

Because of the increase in sales, the Group's cost of sales for the nine months ended 30 September 2007 was also increased from approximately RMB49,695,000 to approximately RMB51,350,000, representing an increase of approximately 3.3% as compared to that of the same period in 2006. The gross profit for the nine months ended 30 September 2007 was increased by approximately 3% to approximately RMB15,927,000 (2006: approximately RMB15,465,000), with gross profit margin of 23.7% (2006: 23.7%) as compared with the corresponding period in last year.

In comparison with the corresponding period of last year, the distribution costs was increased by approximately 2.3% to approximately RMB4,275,000 (2006: approximately RMB4,180,000) which was in line with the increase of sales. The administrative expenses was decreased by approximately 4.7% to approximately RMB10,147,000 (2006: approximately RMB10,652,000) was mainly attributable to the Group's implementation of stringent measures in cost control. Finance costs for the period was approximately RMB3,663,000, representing an increase of 50.6% as compared to approximately RMB2,432,000 for the corresponding period in 2006, which was mainly due to the increase in bank loans and interest rate.

For the nine months ended 30 September 2007, the Group still suffered a loss, and the loss attributable to the shareholders was approximately RMB1,435,000 (2006: approximately RMB1,213,000).

(ii) Prospects

The Group will continue to strengthen the research and development of products in order to enhance its edge in technology advancement. The Group will also put more effort in relation to the marketing of eKey and smart card products so as to lay a good foundation for technology and market development in 2007. It is hoped that not only the market share of the Group can be increased in the fields of network security certification and identification (PKI) in the PRC as well as in the application industry of traditional smart card, but its market advantage can also be maintained.



DISCLOSURE OF INTERESTS

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

As at 30 September 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:

Long positions in shares of the Company

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	71.87%	44.20%
Mr. Zhu Qing Feng	Beneficial owner	50,700,000 domestic shares	15.85%	9.75%
Mr. Han Ruo Pin	Beneficial owner	3,380,000 domestic shares	1.06%	0.65%
Mr. Li Wen Jun	Beneficial owner	3,380,000 domestic shares	1.06%	0.65%
Mr. Li Guang Ming (<i>Note</i>)	Held by controlled corporation	11,830,000 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.

Saved as disclosed above, as at 30 September 2007, 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 30 September 2007.



(b) Interests discloseable under the SFO and substantial shareholders

So far as the Directors are aware, as at 30 September 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:

Name of substantial shareholders	Capacity	Number and class of securities	Approximate percentage of H shares	Approximate percentage of total registered share capital
Princeps MB Asset Management Corp.	Beneficial owner	11,416,000 H shares	5.70%	2.20%



ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the period was the Company, its holding company, or any of its subsidiaries or fellow 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 interest with any member of the Group or 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 a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors of the Company, all Directors of the Company confirm that they complied with such code of conduct throughout the period from the listing date of the Company to 30 September 2007.



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 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 third quarterly result of the Group for the nine months ended 30 September 2007.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Listing Rules of the Stock Exchange save for the deviation from code provision A.2.1, B.1, A.4.4.

Chairman and the Chief Executive Officer

The role of chairman and chief executive officer of the Group rests on the same individual which deviates from the code provision in the Corporate Governance Code of not having a clear division of responsibilities. The Board is of the view that this has not compromised accountability and independent decision making for the following reasons:

- Audit Committee composed exclusively of independent non-executive directors; and
- The independent non-executive Directors have free and direct access to the Company’s external auditors and independent professional advice when considered necessary.



Mr. Li, the executive chairman, is a substantial shareholder of the Group and has considerable industry experience. He is motivated to contribute to the growth and profitability of the Group. The Board is of the view that it is in the best interests of the Group to have an executive chairman so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is most capable to guide discussions and brief the Board in a timely manner on pertinent issues and developments to facilitate open dialogue between the Board and the management.

Remuneration committee

During the period under review, the Company has not established a remuneration committee as set out in B.1 of the Code. The Board considers that the Company needs not set up a remuneration committee as remuneration of the directors are determined by the Board and subject to the approval of shareholders in general meeting in accordance with the Articles and Association of the Company.

Nomination committee

The Board is responsible for considering the suitability of a candidate to act as a director, and approving and terminating the appointment of a director. During the period under review, the Company has not complied the requirement to establish a nomination committee with specific written terms of reference which deal clearly with its authority and duties as set out in Code provision A.4.4 of the Code.

The chairman is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The chairman will propose the appointment of such candidates to each member of the Board for consideration and each member of the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his qualifications, experience and background. The decision of appointing a director must be approved unanimously by the members of the Board and make recommendation to the shareholders' meeting for approval.



PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the nine months ended 30 September 2007, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

DIRECTORS

As at the date hereof, the executive Directors are Mr. Li Qi Ming, Mr. Zhu Qing Feng, Mr. Li Wen Jun and Mr. Li Guang Ming, and the independent non-executive Directors are Mr. Gao Xiang Nong, Mr. Li Quan Sheng and Mr. Zhang Yu Chuan.

By Order of the Board

Li Qi Ming

Chairman

12 November 2007, Shenzhen, the PRC

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