



**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



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Third Quarterly Report  
For The Nine Months  
Ended 30 September 2008



\* For identification purpose only

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## Third Quarterly Report

For The Nine Months Ended 30 September 2008

### 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 announcements 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.*

\* for identification purpose only



## HIGHLIGHTS

- For the nine months ended 30 September 2008, unaudited turnover is approximately RMB55,546,000, which represents an approximately 17.4% decrease as compared to that of the same period last year. The profit attributable to the shareholders for the nine months ended 30 September 2008 was approximately RMB366,000 (2007: loss of approximately RMB1,435,000).
- Earnings per share of the Group was approximately RMB0.07 cents for the nine months ended 30 September 2008.

**To all shareholders,**

The Board of Directors (the "Board") are pleased to announce the unaudited condensed consolidated quarterly results of the Group for the three months and nine months ended 30 September 2008 together with comparative figures for the corresponding periods ended 30 September 2007, as follows:

**THE FINANCIAL STATEMENTS****Unaudited Condensed Consolidated Income Statement**

*For the three months and nine months ended 30 September 2008 and 30 September 2007*

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Turnover	3	15,628	23,295	55,546	67,277
Cost of sales		(11,867)	(19,256)	(39,417)	(51,350)
Gross profit		3,761	4,039	16,129	15,927
Other operating income		158	497	267	1,477
Distribution costs		(1,267)	(1,144)	(3,640)	(4,275)
Administrative expenses		(2,747)	(2,747)	(8,664)	(10,147)
Other operating expenses		—	—	—	(100)
Profit/(Loss) from operations		(95)	645	4,092	2,882
Finance costs		(1,174)	(956)	(3,272)	(3,663)
Profit/(Loss) before taxation		(1,269)	(311)	820	(781)
Income tax expense	4	206	(192)	(426)	(218)
Earnings/(Loss) for the period		(1,063)	(503)	394	(999)
Attributable to:					
Equity holders of the parent		(612)	(667)	366	(1,435)
Minority interest		(451)	164	28	436
		(1,063)	(503)	394	(999)
Dividend	5	—	—	—	—
Earnings/(Loss) per share					
-Basic	6	(0.12 cents)	(0.13 cents)	0.07 cents	(0.28 cents)

## Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2008 and 30 September 2007

	Paid-up capital RMB'000 <i>(unaudited)</i>	Share premium RMB'000 <i>(unaudited)</i>	Statutory (Accumulated			Minority interest RMB'000 <i>(unaudited)</i>	Total RMB'000 <i>(unaudited)</i>	
			Statutory surplus reserve RMB'000 <i>(unaudited)</i>	public welfare fund RMB'000 <i>(unaudited)</i>	losses/ retained profits RMB'000 <i>(unaudited)</i>			
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>
At 1 January 2008	52,000	17,574	5,908	2,955	(70,447)	7,990	761	8,751
Net profit/(loss) for the period	—	—	—	—	366	366	28	394
At 30 September 2008	<u>52,000</u>	<u>17,574</u>	<u>5,908</u>	<u>2,955</u>	<u>(70,081)</u>	<u>8,356</u>	<u>789</u>	<u>9,145</u>

## Notes to the Condensed Financial Statements

For the nine months ended 30 September 2008

### 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 2007.

The HKICPA has issued certain and revised HKFRS that are first effective or available for early adoption of 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 any new standards or interpretation that is not yet effective for the current accounting period.

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	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Sale of card products	14,156	21,163	51,125	60,950
Sale of non-card products	1,472	2,132	4,421	6,327
	<b>15,628</b>	23,295	<b>55,546</b>	67,277

#### 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	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
<b>PRC enterprise income tax</b>				
Current period	(206)	192	426	198
Under/(Over)-provision in prior years	—	—	—	20
	<u>(206)</u>	<u>192</u>	<u>426</u>	<u>218</u>

PRC enterprise income tax of the Group is calculated at the applicable rate ranging from 15% to 25% on estimated assessable profits.

The Group does not have any significant unprovided deferred taxation as at 30 September 2007 and 30 September 2008.

#### 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 2008 (2007: Nil).

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

The calculation of basic earnings/(loss) per share for the nine months ended 30 September 2008 is based on the unaudited net profit for the relevant period of approximately RMB366,000 (2007: loss of approximately RMB1,435,000) and the weighted average number of 520,000,000 shares (2007: 520,000,000 shares).

Diluted earnings/(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 2008 was approximately RMB55,546,000 (2007: approximately RMB67,277,000), representing a decrease of 17.4% as compared with the corresponding period of 2007. The decrease in turnover was mainly due to the increasing competition in the market of the Group's products.

Due to the decrease in sales, for the nine months ended 30 September 2008, the Group's cost of sales similarly dropped from approximately RMB51,350,000 to approximately RMB39,417,000, a decrease of 23.2% compared with the corresponding period of 2007. For the nine months ended 30 September 2008, gross profit increased by 1.3% from the corresponding period in 2007 to approximately RMB16,129,000 (2007: approximately RMB15,927,000), and sales gross profit margin was about 29% (2007: 24%). The increase in gross profit margin was mainly due to the decrease in sales orders with lower margins.

Benefited from the significant efforts of the Group in cost control, the Group's distribution costs, administrative expenses, financial expenses reduced. Of these, distribution costs reduced to approximately RMB3,640,000, a decrease of 14.9% from approximately RMB4,275,000 in the corresponding period of last year. Administrative expenses reduced to approximately RMB8,664,000, a decrease of 14.6% from approximately RMB10,147,000 in the corresponding period of last year. As result of the decrease in the Group's bank loans, financial expenses reduced to approximately RMB3,272,000, a decrease of 10.7% from approximately RMB3,663,000 in the corresponding period of last year.

For the nine months ended 30 September 2008, profit attributable to the Group's shareholders was approximately RMB366,000 (2007: a loss of approximately 1,435,000).

### (ii) Prospects

The Group aims at becoming the leading player in the PRC's card products industry, promoting the brand name of "M&W" as a renowned brand in the PRC's smart card industry and focusing on the development of high-end products in the field of information security. In order to grasp 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 smart card business.



## DISCLOSURE OF INTERESTS

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

As at 30 September 2008, 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. Li Wen Jun	Beneficial owner	3,380,000 domestic shares	1.06%	0.65%

Save as disclosed above, as at 30 September 2008, 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 2008.

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

So far as the Directors are aware, as at 30 September 2008, 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 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 to 30 September 2008.

## **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, Ms. Wang Xiao Hong and Mr. Deng Xiao Bao.

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 2008.

## **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.

## 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.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the nine months ended 30 September 2008, 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 Guo Fei, and the independent non-executive Directors are Mr. Gao Xiang Nong, Ms. Wang Xiao Hong and Mr. Deng Xiao Bao.

By Order of the Board

**Li Qi Ming**  
*Chairman*

13 November 2008, Shenzhen, the PRC