



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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First Quarterly Report
For The Three Months
Ended 31 March 2009



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* For identification purpose only

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First Quarterly Report For The Three Months Ended 31 March 2009

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.

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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 2009, the unaudited turnover of the Group was approximately RMB10,396,000, representing a decrease of approximately 39.2% as compared to that of the corresponding period in previous year. The Group sustained a loss attributable to equity holders of the Company of approximately RMB753,000 (2008: profit of approximately RMB50,000) for the three months ended 31 March 2009.
- Loss per share of the Group was approximately RMB0.14 cents for the three months ended 31 March 2009.

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 2009 (“First Quarter”), together with the comparative unaudited figures for the corresponding period in 2008, as follows:

THE FINANCIAL STATEMENTS

Unaudited Condensed Consolidated Income Statement

For the three months ended 31 March 2009

	Notes	For the three months ended 31 March	
		2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Turnover	3	10,396	17,094
Cost of sales		(7,332)	(11,914)
Gross profit		3,064	5,180
Other operating income		123	15
Distribution costs		(654)	(988)
Administrative expenses		(2,197)	(2,840)
Profit from operations		336	1,367
Finance costs		(1,019)	(1,260)
(Loss)/Profit before taxation		(683)	107
Income tax expenses	4	(50)	(48)
Net (loss)/profit for the period		(733)	59
Attributable to:			
Equity holders of the parent		(753)	50
Minority interests		20	9
		(733)	59
Dividend	5	—	—
(Loss)/Earnings per share			
– Basic	6	(0.14) cents	0.01 cents

Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2009

	Paid-up capital	Share premium	Statutory surplus reserve	Statutory public welfare fund	Accumulated losses	Total	Minority interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 January 2008	52,000	17,574	5,908	2,955	(70,447)	7,990	761	8,751
Net profit for the period	—	—	—	—	50	50	9	59
At 31 March 2008	<u>52,000</u>	<u>17,574</u>	<u>5,908</u>	<u>2,955</u>	<u>(70,397)</u>	<u>8,040</u>	<u>770</u>	<u>8,810</u>
At 1 January 2009	52,000	17,574	5,954	2,978	(75,812)	2,694	219	2,913
Net (loss)/profit for the period	—	—	—	—	(753)	(753)	20	(733)
At 31 March 2009	<u>52,000</u>	<u>17,574</u>	<u>5,954</u>	<u>2,978</u>	<u>(76,565)</u>	<u>1,941</u>	<u>239</u>	<u>2,180</u>

Notes to the Unaudited Condensed Financial Statements

For the three months ended 31 March 2009

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 ("HKFRSs"), 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 2008.

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 31 March	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of card products	9,758	16,071
Sales of non-card products	638	1,023
	<u>10,396</u>	<u>17,094</u>

4. INCOME TAX EXPENSES

The charge represents enterprise income tax in the PRC.

	For the three months ended 31 March	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PRC enterprise income tax		
Current period	50	48
	<u>50</u>	<u>48</u>

PRC enterprise income tax of the Group is calculated at the applicable rate ranging from 15% to 25% (2008: 15%-25%) 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 2009 (2008: Nil).

The Group did not have any significant unprovided deferred taxation as at 31 March 2008 and 31 March 2009.

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 2009 (2008: Nil).

6. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share for the three months ended 31 March 2009 is based on the unaudited net loss attributable to equity holders of the Company for the relevant period of approximately RMB753,000 (2008: profit of approximately RMB50,000) and the weighted average number of 520,000,000 shares (2008: 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 2009 was approximately RMB10,396,000 (2008: approximately RMB17,094,000), representing a decline of approximately 39.2% as compared to the corresponding period in 2008. Such decline was mainly due to the keen marketing competition in card products and the global economic downturn during the First Quarter.

Because of the decrease in sales, the Group's cost of sales for the three months ended 31 March 2009 was also decreased from approximately RMB11,914,000 to approximately RMB7,332,000, representing a decrease of approximately 38.5% as compared to that of the same period in 2008. The gross profit for the three months ended 31 March 2009 was decreased by approximately 40.8% to approximately RMB3,064,000 (2008: approximately RMB5,180,000), with gross profit margin of 29.5% (2008: 30.3%).

The Group's distribution costs was decreased in line with decrease in sales. In comparison with the same period in 2008, the distribution costs was decreased by approximately 33.8% to approximately RMB654,000 (2008: approximately RMB988,000). Due to the Group's implementation of stringent measures in cost control, the administrative expenses were decreased by approximately 22.6% to approximately RMB2,197,000 (2008: approximately RMB2,840,000). As a result of the decrease in Group's bank loans, the finance costs for the period reduced to approximately RMB1,019,000, representing a decrease 19.1% from approximately RMB1,260,000 in the corresponding period in 2008.

For the three months ended 31 March 2009, the Group's loss attributable to equity holders of the Company was approximately RMB753,000 (2008: profit of approximately RMB50,000). The loss recorded was mainly due to drop of sale orders.

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 2009, 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	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%

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 2009.

(b) Interests discloseable under the SFO and substantial shareholders

So far as the Directors are aware, as at 31 March 2009, 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 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 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.

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 31 March 2009.

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, 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 first quarterly result of the Company for the three months ended 31 March 2009.

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 except 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 three months ended 31 March 2009, 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. Liu Guo Fei, and the independent non-executive directors of the Company are Mr. Gao Xiang Nong, Ms. Wang Xiao Hong and Mr. Deng Xiao Bao.

By Order of the Board

Li Qi Ming

Chairman

Shenzhen, the PRC, 14 May 2009