



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

2013

FIRST QUARTERLY REPORT



* For identification purpose only

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

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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.

HIGHLIGHTS

- For the three months ended 31 March 2013, the unaudited turnover of the Group was approximately RMB7,131,000, representing a decrease of approximately 18.9% as compared to that of the corresponding period in previous year. The Group recorded a loss attributable to owners of the Company of approximately RMB614,000 (2012: RMB548,000) for the three months ended 31 March 2013.
- Loss per share of the Group was approximately RMB0.12 cents for the three months ended 31 March 2013.

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 ended 31 March 2013 ("First Quarter"), together with the comparative unaudited figures for the corresponding period in 2012, as follows:

THE FINANCIAL STATEMENTS

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the three months ended 31 March 2013 and 31 March 2012

| | Notes | For the three months ended 31 March 2013 RMB'000 (Unaudited) | 2012 RMB'000 (Unaudited) |
|---|-------|--|--------------------------------|
| Turnover | 3 | 7,131 | 8,793 |
| Cost of sales | | (5,640) | (6,655) |
| Gross profit | | 1,491 | 2,138 |
| Other operating income | | 45 | – |
| Distribution costs | | (608) | (906) |
| Administrative expenses | | (1,567) | (1,939) |
| Loss from operations | | (639) | (707) |
| Finance costs | | (5) | (8) |
| Loss before taxation | | (644) | (715) |
| Income tax expenses | 4 | – | – |
| Net loss for the period | | (644) | (715) |
| Other comprehensive income for the period | | – | – |
| Total comprehensive loss for the period | | (644) | (715) |
| Loss attributable to: | | | |
| Owners of the Company | | (614) | (548) |
| Non-controlling interests | | (30) | (167) |
| | | (644) | (715) |
| Total comprehensive loss attributable to: | | | |
| Owners of the Company | | (614) | (548) |
| Non-controlling interests | | (30) | (167) |
| | | (644) | (715) |
| Dividend | 5 | – | – |
| Loss per share | | | |
| — Basic | 6 | (0.12 cents) | (0.10 cents) |
| — Diluted | 6 | N/A | N/A |

Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2013 and 31 March 2012

| | Paid-up capital | Share premium | Statutory | | Accumulated losses | Non- controlling | | Total |
|--------------------------|----------------------|----------------------|---------------------------------|---------------------------|------------------------|---------------------|-------------------|---------------------|
| | | | Statutory surplus reserve | public welfare fund | | Total | interest | |
| | 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 2012 | 52,000 | 17,574 | 5,954 | 2,978 | (72,902) | 5,604 | 500 | 6,104 |
| Total comprehensive loss | - | - | - | - | (548) | (548) | (167) | (715) |
| At 31 March 2012 | <u>52,000</u> | <u>17,574</u> | <u>5,954</u> | <u>2,978</u> | <u>(73,450)</u> | <u>5,056</u> | <u>333</u> | <u>5,389</u> |
| At 1 January 2013 | 52,000 | 17,574 | 5,954 | 2,978 | (76,698) | 1,808 | 637 | 2,445 |
| Total comprehensive loss | - | - | - | - | (614) | (614) | (30) | (644) |
| At 31 March 2013 | <u>52,000</u> | <u>17,574</u> | <u>5,954</u> | <u>2,978</u> | <u>(77,312)</u> | <u>1,194</u> | <u>607</u> | <u>1,801</u> |

Notes to the Unaudited Condensed Financial Statements

For the three months ended 31 March 2013

1. GENERAL

The Company was established and registered as a joint stock company with limited liability 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 Standard and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of 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 2012.

The HKICPA has issued certain new and revised HKFRS that are first effective or available for early adoption for 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 gross invoiced value of goods sold, net of value added tax, sale returns and discounts to outside customers, and are summarised as follows:

| | For the three months ended 31 March | |
|----------------------------|--|-------------|
| | 2013 | 2012 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Sales of card products | 5,690 | 7,281 |
| Sales of non-card products | 1,441 | 1,512 |
| | <hr/> | <hr/> |
| | 7,131 | 8,793 |
| | <hr/> | <hr/> |

4. INCOME TAX EXPENSES

The charge represents enterprise income tax in the PRC.

| | For the three months ended 31 March | |
|---------------------------|--|-------------|
| | 2013 | 2012 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| PRC enterprise income tax | | |
| Current period | — | — |
| | <hr/> | <hr/> |
| | <hr/> | <hr/> |

PRC enterprise income tax of the Group is calculated at the applicable rate of 25% (2012: 24%–25%) on estimated assessable profits.

The Group did not have any significant unprovided deferred taxation as at 31 March 2012 and 31 March 2013.

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 2013 (2012: Nil).

6. LOSS PER SHARE

The calculation of basic loss per share for the three months ended 31 March 2013 is based on the unaudited net loss attributable to owners of the Company for the relevant period of approximately RMB614,000 (2012: RMB548,000) and the weighted average number of 520,000,000 shares (2012: 520,000,000 shares).

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

BUSINESS REVIEW

The Company sustained a loss of approximately RMB644,000 (2012: RMB715,000) for the three months ended 31 March 2013 due to the decrease of sales.

The Group's turnover for the three months ended 31 March 2013 was approximately RMB7,131,000 (2012: RMB8,793,000), representing a decrease of approximately 18.9% as compared to the corresponding period in 2012. Such decrease was mainly due to the keen competition in the card products market, resulting in the decline of sale orders for the Group.

The Group's cost of sales for the three months ended 31 March 2013 was decreased from approximately RMB6,655,000 to RMB5,640,000, representing a decrease of approximately 15.3% as compared to that of the same period in 2012. The gross profit for the three months ended 31 March 2013 was decreased by approximately 30.3% to approximately RMB1,491,000 (2012: RMB2,138,000). The percentage of gross profit for the three months ended 31 March 2013 decreased from 24.3% to 20.9% as compared to the corresponding period in 2012.

The distribution costs decreased by approximately 32.9% to RMB608,000 (2012: RMB906,000). The decrease was in line with the decrease in sales. The administrative expenses were decreased by approximately 19.2% to approximately RMB1,567,000 (2012: RMB1,939,000) due to cost control on staff welfare and travelling expenses. As a result of the decrease in Group's loans, the finance costs for the period reduced to approximately RMB5,000, representing a decrease by approximately 37.5% from approximately RMB8,000 in the corresponding period in 2012.

For the three months ended 31 March 2013, the Group's loss attributable to owners of the Company was approximately RMB614,000 (2012: RMB548,000).

FUTURE 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.

The Group will continue to put extensive effort in the marketing of eKey, smart cards, and terminal system industry and focus on high end products in sector of security technology.

The Group has expanded the COS software and hardware systems relating to identity card security certification. The Group expects to launch various technologies and expand market of COS related products in 2013 and also expects to make a significant breakthrough in sales if such technologies are applied in the huge online shopping market in the PRC.

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 of the Company

As at 31 March 2013, 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, 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 2013.

(b) Interests discloseable under the SFO and substantial shareholders

So far as the Directors are aware, as at 31 March 2013, no 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.

SHARES OPTION SCHEME

The Company has not granted or issued any option up to 31 March 2013.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the period was the Company or any of its 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 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 31 March 2013.

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. Chen Hong Lei.

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 2013.

CORPORATE GOVERNANCE

Except below the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 15 of the GEM Listing Rules of the Stock Exchange.

During the period under review, the Company had not sufficient number of independent non-executive directors (“INED”) as one of the INED, Mr. Deng Xiao Bao (“Mr. Deng”) deceased on 2 September 2012. Pursuant to Rules 5.05A and 5.06 of the GEM Listing Rules, the Company is required to appoint INED representing at least one-third of the Board of the Company within three months from the date of Mr. Deng’s decease. Until 5 February 2013, the Company appointed Mr. Chen Hong Lei to fill Mr. Deng’s vacancy as an INED.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the three months ended 31 March 2013, 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 are Mr. Li Qi Ming, Mr. Zhu Qing Feng, Mr. Li Wen Jun and Mr. Liu Guo Fei, and the independent non-executive Directors are Mr. Gao Xiang Nong, Ms. Wang Xiao Hong and Mr. Chen Hong Lei.

By Order of the Board

Li Qi Ming
Chairman

Shenzhen, the PRC, 15 May 2013