



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 2010

* For identification purpose only

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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.

HIGHLIGHTS

- For the nine months ended 30 September 2010, unaudited turnover is approximately RMB63,141,000, which represents an approximately 79.4% increase as compared to that of the same period last year. The loss attributable to the owners of the Company for the nine months ended 30 September 2010 was approximately RMB223,000 (2009: approximately RMB1,352,000).
- Loss per share of the Group was approximately RMB0.0004 for the nine months ended 30 September 2010.

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 2010 together with comparative figures for the corresponding periods ended 30 September 2009, as follows:

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

For the three months and nine months ended 30 September 2010 and 30 September 2009

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Turnover	3	15,893	12,924	63,141	35,199
Cost of sales		(12,609)	(10,635)	(51,375)	(26,342)
Gross profit		3,284	2,289	11,766	8,857
Other operating income		119	—	145	348
Distribution costs		(1,186)	(827)	(3,289)	(2,122)
Administrative expenses		(2,274)	(1,023)	(6,515)	(4,734)
Other operating expenses		—	(1)	(108)	(140)
Profit/(Loss) from operations		(57)	438	1,999	2,209
Finance costs		(7)	(583)	(1,716)	(3,561)
Profit/(Loss) before taxation		(64)	(145)	283	(1,352)
Income tax expense	4	(227)	(1)	(329)	(69)
Loss for the period		(291)	(146)	(46)	(1,421)
Other Comprehensive income		—	—	—	—
Total Comprehensive loss for the period		(291)	(146)	(46)	(1,421)
Attributable to:					
Owners of the Company		(439)	(110)	(223)	(1,352)
Non-controlling interests		148	(36)	177	(69)
		(291)	(146)	(46)	(1,421)
Total comprehensive loss attributable to:					
Owners of the Company		(439)	(110)	(223)	(1,352)
Non-controlling interests		148	(36)	177	(69)
		(291)	(146)	(46)	(1,421)
Dividend	5	—	—	—	—
Loss per share					
– Basic	6	(0.0008)	(0.0002)	(0.0004)	(0.0026)
– Diluted	6	N/A	N/A	N/A	N/A

Unaudited Condensed Consolidated Statement of Changes in Equity*For the nine months ended 30 September 2010 and 30 September 2009*

	Paid-up capital	Share premium	Statutory		Accumulated losses	Total	Minority interest	Total
			Statutory surplus reserve	public welfare fund				
	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 2009	52,000	17,574	5,954	2,978	(75,812)	2,694	219	2,913
Total comprehensive loss for the period	—	—	—	—	(1,352)	(1,352)	(69)	(1,421)
At 30 September 2009	<u>52,000</u>	<u>17,574</u>	<u>5,954</u>	<u>2,978</u>	<u>(77,164)</u>	<u>1,342</u>	<u>150</u>	<u>1,492</u>
At 1 January 2010	52,000	17,574	5,954	2,978	(75,437)	3,069	287	3,356
Total comprehensive loss for the period	—	—	—	—	(223)	(223)	177	(46)
At 30 September 2010	<u>52,000</u>	<u>17,574</u>	<u>5,954</u>	<u>2,978</u>	<u>(75,660)</u>	<u>2,846</u>	<u>464</u>	<u>3,310</u>

Notes to the Condensed Financial Statements

For the nine months ended 30 September 2010

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 2009.

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 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	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Sale of card products	14,692	12,251	57,537	33,304
Sale of non-card products	1,201	673	5,604	1,895
	<u>15,893</u>	<u>12,924</u>	<u>63,141</u>	<u>35,199</u>

4. INCOME TAX EXPENSE

The charge represents enterprise income tax in the PRC.

	For the three months ended 30 September		For the nine months ended 30 September	
	2010 <i>RMB'000</i> <i>(Unaudited)</i>	2009 <i>RMB'000</i> <i>(Unaudited)</i>	2010 <i>RMB'000</i> <i>(Unaudited)</i>	2009 <i>RMB'000</i> <i>(Unaudited)</i>
PRC enterprise income tax				
Current period	<u>227</u>	<u>1</u>	<u>329</u>	<u>69</u>

PRC enterprise income tax of the Group is calculated at the applicable rate ranging from 22% to 25% on estimated assessable profits.

The Group does not have any significant unprovided deferred taxation as at 30 September 2009 and 30 September 2010.

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 2010 (2009: Nil).

6. LOSS PER SHARE

The calculation of basic loss per share for the nine months ended 30 September 2010 is based on the unaudited net loss for the relevant period of approximately RMB223,000 (2009: approximately RMB1,352,000) and the weighted average number of 520,000,000 shares (2009: 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) Business Review

The Group's turnover for the nine months ended 30 September 2010 was approximately RMB63,141,000, representing an increase of approximately 79.4% as compared to the corresponding period last year (2009: approximately RMB35,199,000). The main reasons for the increase of the turnover was the increase of sale demand and gradual recovery from the global economic downturn.

Because of the increase in sales, for the nine months ended 30 September 2010, the Group's cost of sales was increased to approximately RMB51,375,000 (2009: approximately RMB26,342,000). The gross profit for the nine months ended 30 September 2010 was approximately RMB11,766,000 (2009: RMB8,857,000). The gross profit margin dropped from approximately 25.2% to 18.6% as compared to the corresponding period in 2009. The underlying reason of such decrease is mainly due to the keen competition for the prices of card products.

When compared to the corresponding period last year, the cost of distribution was increased by 55% to approximately RMB3,289,000 (2009: approximately RMB2,122,000) mainly due to the increase of sales. The administrative expenses were increased by 37.6% to approximately RMB6,515,000 (2009: approximately RMB4,734,000) mainly due to the increase in sales. As a result of the decrease in Group's bank loans, the finance costs for the period reduced to approximately RMB1,716,000, representing a decrease of 51.8% from approximately RMB3,561,000 in the corresponding period in 2009.

For the nine months ended 30 September 2010, the Group's loss attributable to the owners of the Company was approximately RMB223,000 (2009: approximately RMB1,352,000).

(ii) 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 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 of the Company

As at 30 September 2010, 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 2010, 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 2010.

(b) Interests discloseable under the SFO and substantial shareholders

So far as the Directors are aware, as at 30 September 2010, 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
Princes MB Asset Management Corp.	Beneficial owner	11,416,000 H shares	5.70%	2.20%

SHARE OPTION SCHEME

The Company has not granted or issued any option up to 30 September 2010.

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 2010.

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 2010.

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 2010, 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. Liu 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

12 November 2010, Shenzhen, the PRC