



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 2011

* 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 2011, unaudited turnover is approximately RMB80,659,000, which represents an approximately 27.7% increase as compared to that of the same period last year. The profit attributable to the owners of the Company for the nine months ended 30 September 2011 was approximately RMB12,448,000 (2010: loss of approximately RMB223,000).
- Earnings per share of the Group was approximately RMB2.39 cents for the nine months ended 30 September 2011.

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 2011 together with comparative figures for the corresponding periods ended 30 September 2010, as follows:

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

For the three months and nine months ended 30 September 2011 and 30 September 2010

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Turnover	3	20,418	15,893	80,659	63,141
Cost of sales		(13,236)	(12,609)	(53,178)	(51,375)
Gross profit		7,182	3,284	27,481	11,766
Other operating income		27	119	144	145
Distribution costs		(2,871)	(1,186)	(6,081)	(3,289)
Administrative expenses		(2,687)	(2,274)	(7,396)	(6,515)
Other operating expenses		—	—	(62)	(108)
Profit/(loss) from operations		1,651	(57)	14,086	1,999
Finance costs		—	(7)	(747)	(1,716)
Profit/(loss) before taxation		1,651	(64)	13,339	283
Income tax expense	4	(49)	(227)	(198)	(329)
Profit/(loss) for the period		1,602	(291)	13,141	(46)
Other Comprehensive income		—	—	—	—
Total Comprehensive income/(loss) for the period		1,602	(291)	13,141	(46)
Attributable to:					
Owners of the Company		1,447	(439)	12,448	(223)
Non-controlling interests		155	148	693	177
		1,602	(291)	13,141	(46)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		1,447	(439)	12,448	(223)
Non-controlling interests		155	148	693	177
		1,602	(291)	13,141	(46)
Dividend	5	—	—	—	—
Earnings/(loss) per share					
– Basic (cents)	6	0.28	(0.08)	2.39	(0.04)
– Diluted (cents)	6	N/A	N/A	N/A	N/A

Unaudited Condensed Consolidated Statement of Changes in Equity*For the nine months ended 30 September 2011 and 30 September 2010*

	Paid-up capital	Share premium	Statutory		Accumulated losses	Total	Non- controlling interest	Total
			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 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>
At 1 January 2011	52,000	17,574	5,954	2,978	(74,021)	4,485	891	5,376
Total comprehensive income for the period	—	—	—	—	12,448	12,448	693	13,141
At 30 September 2011	<u>52,000</u>	<u>17,574</u>	<u>5,954</u>	<u>2,978</u>	<u>(61,573)</u>	<u>16,933</u>	<u>1,584</u>	<u>18,517</u>

Notes to the Condensed Financial Statements

For the nine months ended 30 September 2011

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 2010.

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	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Sale of card products	19,918	14,692	78,784	57,537
Sale of non-card products	500	1,201	1,875	5,604
	20,418	15,893	80,659	63,141

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	
	2011	2010	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
PRC enterprise income tax				
Current period	49	227	198	329

PRC enterprise income tax of the Group is calculated at the applicable rate ranging from 23% to 25% on estimated assessable profits.

The Group does not have any significant unprovided deferred taxation as at 30 September 2010 and 30 September 2011.

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 2011 (2010: Nil).

6. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share for the nine months ended 30 September 2011 is based on the unaudited net profit for the relevant period of approximately RMB12,448,000 (2010: loss of approximately RMB223,000) and the weighted average number of 520,000,000 shares (2010: 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) Business Review

The Group's turnover for the nine months ended 30 September 2011 was approximately RMB80,659,000, representing an increase of approximately 27.7% as compared to the corresponding period last year (2010: approximately RMB63,141,000). The main reason for the increase of the turnover was the increase of sale demand.

Because of the increase in sales, for the nine months ended 30 September 2011, the Group's cost of sales was increased to approximately RMB53,178,000 (2010: approximately RMB51,375,000). The gross profit for the nine months ended 30 September 2011 was approximately RMB27,481,000 (2010: RMB11,766,000). The gross profit margin increased from approximately 18.6% to 34.1% as compared to the corresponding period in 2010. The underlying reason of such increase is mainly attributable to the increase in some sales with higher margin.

When compared to the corresponding period last year, the cost of distribution was increased by 85% to approximately RMB6,081,000 (2010: approximately RMB3,289,000) mainly due to the increase of sales. The administrative expenses were increased by 13.5% to approximately RMB7,396,000 (2010: approximately RMB6,515,000) 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 RMB747,000, representing a decrease of 56.5% from approximately RMB1,716,000 in the corresponding period in 2010.

For the nine months ended 30 September 2011, the Group's profit attributable to the owners of the Company was approximately RMB12,448,000 (2010: loss of approximately RMB223,000).

(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.

We have expanded the COS software and hardware systems relating to identity card security certification. The Company's Renzhengtong (認證通) business was beginning to take shape. Various technologies and cloud computing technology integrating network security have been launched and we 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 30 September 2011, 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 2011, 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 2011.

(b) Interests discloseable under the SFO and substantial shareholders

So far as the Directors are aware, as at 30 September 2011, 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.

SHARE OPTION SCHEME

The Company has not granted or issued any option up to 30 September 2011.

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 2011.

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 Company for the nine months ended 30 September 2011.

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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the nine months ended 30 September 2011, 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

14 November 2011, Shenzhen, the PRC