



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 2012



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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 2012, unaudited turnover is approximately RMB25,314,000, which represents an approximately 68.6% decrease 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 2012 was approximately RMB2,193,000 (2011: profit of approximately RMB12,448,000).
- Loss per share of the Group was approximately RMB0.42 cents for the nine months ended 30 September 2012.

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 2012 together with comparative figures for the corresponding periods ended 30 September 2011, as follows:

THE FINANCIAL STATEMENTS

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 30 September 2012 and 30 September 2011

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Turnover	3	8,101	20,418	25,314	80,659
Cost of sales		(6,269)	(13,236)	(19,560)	(53,178)
Gross profit		1,832	7,182	5,754	27,481
Other operating income		301	27	333	144
Distribution costs		(840)	(2,871)	(2,869)	(6,081)
Administrative expenses		(1,914)	(2,687)	(5,389)	(7,396)
Other operating expenses		(1)	-	(80)	(62)
(Loss)/profit from operations		(622)	1,651	(2,251)	14,086
Finance costs		-	-	(9)	(747)
(Loss)/profit before taxation		(622)	1,651	(2,260)	13,339
Income tax expense	4	(58)	(49)	(153)	(198)
(Loss)/profit for the period		(680)	1,602	(2,413)	13,141
Other Comprehensive income		-	-	-	-
Total Comprehensive (loss)/income for the period		(680)	1,602	(2,413)	13,141
Attributable to:					
Owners of the Company		(764)	1,447	(2,193)	12,448
Non-controlling interests		84	155	(220)	693
		(680)	1,602	(2,413)	13,141
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(764)	1,447	(2,193)	12,448
Non-controlling interests		84	155	(220)	693
		(680)	1,602	(2,413)	13,141
Dividend	5	-	-	-	-
(Loss)/earnings per share					
- Basic (cents)	6	(0.15)	0.28	(0.42)	2.39
- 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 2012 and 30 September 2011

	Paid-up capital	Share premium	Statutory		Accumulated losses	Non- controlling		Total
			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 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>
At 1 January 2012	52,000	17,574	5,954	2,978	(72,902)	5,604	500	6,104
Total comprehensive loss for the period	—	—	—	—	(2,193)	(2,193)	(220)	(2,413)
At 30 September 2012	<u>52,000</u>	<u>17,574</u>	<u>5,954</u>	<u>2,978</u>	<u>(75,095)</u>	<u>3,411</u>	<u>280</u>	<u>3,691</u>

Notes to the Condensed Financial Statements

For the nine months ended 30 September 2012

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 2011.

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	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Sale of card products	6,654	19,918	21,223	78,784
Sale of non-card products	1,447	500	4,091	1,875
	8,101	20,418	25,314	80,659

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	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
PRC enterprise income tax				
Current period	<u>58</u>	<u>49</u>	<u>153</u>	<u>198</u>

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 2011 and 30 September 2012.

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 2012 (2011: Nil).

6. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share for the nine months ended 30 September 2012 is based on the unaudited net loss for the relevant period of approximately RMB2,193,000 (2011: profit of approximately RMB12,448,000) and the weighted average number of 520,000,000 shares (2011: 520,000,000 shares).

Diluted (loss)/earnings 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 2012 was approximately RMB25,314,000, representing a decrease of approximately 68.6% as compared to the corresponding period last year (2011: approximately RMB80,659,000). The corresponding figure in 2011 had not accounted for a significant sales return of approximately RMB35,000,000 for the year ended 31 December 2011 recognised in the fourth quarter of 2011 as per the Company's clarification announcement made on 1 June 2012. Should this sales return be recognised for the nine months ended 30 September 2011, the Group's turnover will be adjusted from approximately RMB80,659,000 to RMB45,659,000, which represents a decrease of approximately 44.6% instead of 68.6%, over the last corresponding period. The decrease of the turnover was mainly due to keen competition which caused a sharp decrease in demand for card products in the PRC.

Because of the decrease in sales, for the nine months ended 30 September 2012, the Group's cost of sales was decreased to approximately RMB19,560,000 (2011: approximately RMB53,178,000). The gross profit for the nine months ended 30 September 2012 was approximately RMB5,754,000 (2011: RMB27,481,000). The gross profit margin decreased from approximately 34.1% to 22.7% as compared to the corresponding period in 2011. The underlying reason of such decrease was mainly attributable to keen competition for the price of card products and increased wages and factory overhead.

When compared to the corresponding period last year, the cost of distribution was decreased by 52.8% to approximately RMB2,869,000 (2011: approximately RMB6,081,000) mainly due to the decrease of sales. The administrative expenses were decreased by 27.1% to approximately RMB5,389,000 (2011: approximately RMB7,396,000) mainly due to the less staff employed. As a result of the repayment in Group's bank loans, the finance costs for the period reduced to approximately RMB9,000, representing a decrease of 98.8% from approximately RMB747,000 in the corresponding period in 2011.

For the nine months ended 30 September 2012, the Group's loss attributable to the owners of the Company was approximately RMB2,193,000 (2011: profit of approximately RMB12,448,000).

(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, smart cards, and terminal system industry and focus on high end products in sector of security technology.

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 2012, 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 30 September 2012.

(b) Interests discloseable under the SFO and substantial shareholders

So far as the Directors are aware, as at 30 September 2012, 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 2012.

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 2012.

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 two independent non-executive Directors, namely, Mr. Gao Xiang Nong and Ms. Wang Xiao Hong.

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 2012.

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 15 of the GEM Listing Rules of the Stock Exchange.

As Mr. Deng Xiao Bao (“Mr. Deng”), an independent non-executive director, member of audit committee, remuneration committee and nominee committee, passed away on 2 September 2012, the Company did not comply with GEM Rules 5.05(1), 5.05A and 5.28 in relation to the appointment of sufficient numbers of the board of directors, independent non-executive directors and audit committee members. The Company is identifying a right candidate to replace Mr. Deng as soon as practicable.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the nine months ended 30 September 2012, 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 and Ms. Wang Xiao Hong.

By Order of the Board

Li Qi Ming

Chairman

13 November 2012, Shenzhen, the PRC