

UNAUDITED FINANCIAL STATEMENTS FOR THE 2ND QUARTER ENDED 30 JUNE 2014

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF 2ND QUARTER RESULTS

- 1(a)(i) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	2nd Quarter ended 30/06/2014 RMB'000	2nd Quarter ended 30/06/2013 RMB'000	Change %	6 Months ended 30/06/2014 RMB'000	6 Months ended 30/06/2013 RMB'000	Change %
Revenue	220,825	295,128	(25.2)	467,500	505,468	(7.5)
Cost of sales	(171,355)	(235,037)	(27.1)	(362,632)	(399,507)	(9.2)
Gross Profit	49,470	60,091	(17.7)	104,868	105,961	(1.0)
Selling and distribution expenses	(11,686)	(20,375)	(42.6)	(24,542)	(30,080)	(18.4)
Administrative expenses	(16,715)	(17,150)	(2.5)	(33,167)	(32,570)	1.8
Research and development expenses	(7,046)	(2,746)	156.6	(12,841)	(7,140)	79.8
Profit from Operations	14,023	19,820	(29.2)	34,318	36,171	(5.1)
Financial income/(expenses), net	865	(449)	n.m.	856	(829)	n.m.
Other income	23,766	4,642	412.0	32,074	8,194	291.4
Other expenses	(3,780)	(4,945)	(23.6)	(15,063)	(8,947)	68.4
Profit Before Tax	34,874	19,068	82.9	52,185	34,589	50.9
Income tax	(8,865)	(3,747)	136.6	(11,279)	(6,484)	74.0
Net Profit After Tax	26,009	15,321	69.8	40,906	28,105	45.5
Other Comprehensive Income						
Currency translation differences arising from consolidation	59	2,136	(97.2)	222	3,123	(92.9)
Total Comprehensive Income for the period	26,068	17,457	49.3	41,128	31,228	31.7
Total Comprehensive Income Attributable to Equity Holders of the Company	26,068	17,457	49.3	41,128	31,228	31.7

n.m. : not meaningful

1(a)(ii) Profit before tax is determined after crediting/(charging) the following:

(A) Other Income

	2nd Quarter ended 30/06/2014 RMB'000	2nd Quarter ended 30/06/2013 RMB'000	Change %	6 Months ended 30/06/2014 RMB'000	6 Months ended 30/06/2013 RMB'000	Change %
Sales of steel scrap	205	414	(50.5)	549	556	(1.3)
Net of sales of raw materials	184	-	n.m.	833	159	423.9
Amortisation of deferred income	240	240	-	480	480	-
Government grants	1,175	390	201.3	1,675	654	156.1
Foreign exchange gain, net	432	-	n.m.	2,576	-	n.m.
Settlement of forward contracts	2,061	3,260	(36.8)	6,340	4,560	39.0
Fair value gain on derivative financial instruments	-	342	(100.0)	-	1,647	(100.0)
Fair value changes on contingent consideration	19,446	-	n.m.	19,446	-	n.m.
Others	23	(4)	n.m.	175	138	26.8
	<u>23,766</u>	<u>4,642</u>	<u>412.0</u>	<u>32,074</u>	<u>8,194</u>	<u>291.4</u>

*Derivative financial instruments refer to RMB/USD forward contracts for hedging purposes.

(B) Other Expenses

	2nd Quarter ended 30/06/2014 RMB'000	2nd Quarter ended 30/06/2013 RMB'000	Change %	6 Months ended 30/06/2014 RMB'000	6 Months ended 30/06/2013 RMB'000	Change %
Amortisation of land use rights	(231)	(231)	-	(462)	(462)	-
Fair value loss on derivative financial instruments	(3,549)	-	n.m.	(12,601)	-	n.m.
Foreign exchange loss, net	-	(4,714)	(100.0)	-	(8,485)	(100.0)
Withholding tax on dividends	-	-	-	(2,000)	-	n.m.
	<u>(3,780)</u>	<u>(4,945)</u>	<u>(23.6)</u>	<u>(15,063)</u>	<u>(8,947)</u>	<u>68.4</u>

(C) Financial Income/(Expenses), net

	2nd Quarter ended 30/06/2014 RMB'000	2nd Quarter ended 30/06/2013 RMB'000	Change %	6 Months ended 30/06/2014 RMB'000	6 Months ended 30/06/2013 RMB'000	Change %
Interest income	910	102	792.2	1,559	398	291.7
Interest expenses	(45)	(3)	n.m.	(75)	(17)	341.2
Unwinding of discount on contingent consideration	-	(548)	(100.0)	(628)	(1,210)	(48.1)
	<u>865</u>	<u>(449)</u>	<u>n.m.</u>	<u>856</u>	<u>(829)</u>	<u>n.m.</u>

(D) Depreciation and Amortisation

	2nd Quarter 30/06/2014 RMB'000	2nd Quarter 30/06/2013 RMB'000	Change %	6 Months ended 30/06/2014 RMB'000	6 Months ended 30/06/2013 RMB'000	Change %
Depreciation on property, plant and equipment	3,699	3,243	14.1	7,281	6,340	14.8
Amortisation of land use rights	231	231	-	462	462	-
Amortisation of intangible assets	1,086	1,224	(11.3)	2,171	2,539	(14.5)
	5,016	4,698	6.8	9,914	9,341	6.1

For the 6 months ended 30 June 2014, the Group's depreciation expenses increased by 14.8% to RMB7.3 million over last corresponding period due to the increase of property, plant and equipment of its China subsidiaries.

For the 6 months ended 30 June 2014, the Group's amortisation of intangible assets decreased by 14.5% to RMB2.2 million over last corresponding period as some projects were fully amortised in 2013. Intangible assets comprise of technical know-how and development expenditure incurred, which are capitalised and amortised using the straight-line method over their estimated useful lives.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group			Company		
	As At	As At	Change	As At	As At	Change
	30/06/2014 RMB'000	31/12/2013 RMB'000		30/06/2014 RMB'000	31/12/2013 RMB'000	
	Unaudited	Audited	%	Unaudited	Audited	%
Assets						
Non-current Assets						
Intangible assets	18,611	20,782	(10.4)	-	-	-
Investment in subsidiaries	-	-	-	31,012	30,039	3.2
Land use rights	42,755	43,218	(1.1)	-	-	-
Property, plant and equipment	146,886	129,125	13.8	-	-	-
Total Non-current Assets	208,252	193,125	7.8	31,012	30,039	3.2
Current Assets						
Cash and bank balances	169,190	168,762	0.3	4,962	3,959	25.3
Trade receivables	147,814	148,160	(0.2)	3,216	1,985	62.0
Advances to suppliers	22,055	6,621	233.1	-	96	(100.0)
Other receivables, deposits and prepayment	4,973	8,324	(40.3)	-	58	(100.0)
Due from subsidiaries (non-trade)	-	-	-	160,262	112,269	42.7
Derivative financial instruments	835	13,322	(93.7)	-	-	-
Inventories	100,809	117,993	(14.6)	-	-	-
Total Current Assets	445,676	463,182	(3.8)	168,440	118,367	42.3
Total Assets	653,928	656,307	(0.4)	199,452	148,406	34.4
Liabilities						
Current Liabilities						
Borrowings	17,842	12,469	43.1	-	-	-
Trade payables	79,915	99,139	(19.4)	2,437	4,536	(46.3)
Other payables and accruals	39,857	57,940	(31.2)	1,831	23,172	(92.1)
Due to a related party (trade)	525	722	(27.3)	-	-	-
Due to a related party (non-trade)	-	3,600	(100.0)	-	-	-
Provision for income tax	7,292	5,574	30.8	-	-	-
Total Current Liabilities	145,431	179,444	(19.0)	4,268	27,708	(84.6)
Non-current Liabilities						
Other payable	2,924	-	n.m.	2,924	-	n.m.
Deferred income	10,080	10,560	(4.5)	-	-	-
Deferred tax liabilities	9,374	3,576	162.1	-	-	-
Total Non-current Liabilities	22,378	14,136	58.3	2,924	-	n.m.
Total Liabilities	167,809	193,580	(13.3)	7,192	27,708	(74.0)
Net Assets	486,119	462,727	5.1	192,260	120,698	59.3
Equity						
Capital and reserves attributable to the equity holders of the Company						
Share capital	168,067	168,067	-	168,067	168,067	-
Capital reserve	33,056	33,056	-	-	-	-
Revenue reserve/(accumulated losses)	260,674	237,504	9.8	23,400	(43,027)	n.m.
Statutory reserve	38,740	38,740	-	-	-	-
Translation (deficit)/reserve	(1,389)	(1,611)	(13.8)	794	(4,342)	n.m.
Merger deficit	(13,029)	(13,029)	-	-	-	-
Total Equity	486,119	462,727	5.1	192,261	120,698	59.3

(b)(ii) **Aggregate amount of group's borrowings and debt securities.**

Amount repayable in one year or less, or on demand

	Group		Group	
	As at 30 June 2014		As at 31 December 2013	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	17,842	-	12,469	-

Details of any collateral

As at 30 June 2014, borrowings comprised:

- (1) A loan of EUR1.5 million (equivalent to RMB12.4 million) was obtained by a German subsidiary of the Company from Frankfurt Branch, ICBC Bank Germany. The loan was fully guaranteed by a bank deposit of RMB13.3 million placed by its PRC subsidiary in Jiang Su Branch, ICBC Bank China.
- (2) A mortgage loan of USD0.9 million (equivalent to RMB5.4 million) was obtained by a US subsidiary of the Company from East West Bank to finance the acquisition of a warehouse in USA. The Company provided corporate guarantee for the loan.

- 1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

GROUP CASH FLOW STATEMENT	2nd Quarter ended 30/06/2014 RMB'000	2nd Quarter ended 30/06/2013 RMB'000	6 Months ended 30/06/2014 RMB'000	6 Months ended 30/06/2013 RMB'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Profit before tax	34,874	19,068	52,185	34,589
Adjustments:				
Amortisation of land use rights	231	231	462	462
Amortisation of intangible assets	1,086	1,224	2,171	2,539
Amortisation of deferred government grant	(240)	(240)	(480)	(480)
Depreciation of property, plant and equipment	3,699	3,243	7,281	6,340
Fair value loss/(gain) on derivative financial instruments	3,549	(342)	12,601	(1,647)
Settlement of forward contracts	(2,061)	(3,260)	(6,340)	(4,560)
Interest expenses	45	3	75	17
Interest income	(910)	(102)	(1,559)	(398)
Unwinding of discount on contingent consideration	-	548	628	1,210
Fair value changes on contingent consideration	(19,446)	-	(19,446)	-
Operating profit before working capital changes	20,827	20,373	47,578	38,072
Trade receivables	37,870	(81,875)	528	(118,339)
Other receivables, deposits and prepayments	2,876	1,478	3,360	3,241
Advances to suppliers	(11,661)	(18,306)	(15,434)	(32,102)
Trade payables	(8,246)	30,928	(19,382)	62,195
Other payables and accruals	13,331	15,630	3,357	10,295
Due to a related party (trade)	1,000	2,646	(197)	3,849
Inventories	4,454	14,788	17,340	17,342
Cash generated from/(used in) operations	60,451	(14,338)	37,150	(15,447)
Income tax paid	(2,566)	(2,137)	(3,780)	(5,290)
Net cash generated from/(used in) operating activities	57,885	(16,475)	33,370	(20,737)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Purchase of property, plant and equipment	(18,173)	(4,250)	(24,887)	(11,386)
Development costs incurred	-	(2,124)	-	(2,124)
Interest received	910	102	1,559	398
Settlement of forward contracts	2,061	3,260	6,340	4,560
Net cash used in investing activities	(15,202)	(3,012)	(16,988)	(8,552)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>				
Dividend paid	(17,736)	-	(17,736)	-
Proceeds from bank borrowings	5,408	-	5,408	1,411
Due to a related party (non-trade)	-	-	(3,600)	-
Interest paid	(149)	(3)	(223)	(17)
Pledged deposits	568	3,964	569	2,870
Net cash (used in)/generated from financing activities	(11,909)	3,961	(15,582)	4,264
Net increase/(decrease) in cash and cash equivalents	30,774	(15,526)	800	(25,025)
Effects of exchange rate changes in cash and cash equivalent	(120)	(332)	197	(871)
Cash and cash equivalents at beginning of the period	119,545	73,675	149,202	83,713
Cash and cash equivalents at end of the period	150,199	57,817	150,199	57,817
Note:				
For the purpose of the consolidated statement of cash flows, the consolidated cash and cash equivalents				
-Cash at bank and in hand	69,503	33,651	69,503	33,651
-Fixed deposits with banks	99,687	38,434	99,687	38,434
	169,190	72,085	169,190	72,085
Less: Pledged deposit	(18,991)	(14,268)	(18,991)	(14,268)
Cash and cash equivalents per consolidated statement of cash flows	150,199	57,817	150,199	57,817

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group						
	Share capital	Statutory reserve	Merger deficit	Capital reserve	Revenue reserve	Translation deficit	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014	168,067	38,740	(13,029)	33,056	237,504	(1,611)	462,727
Total comprehensive income for the period	-	-	-	-	40,906	222	41,128
Dividends	-	-	-	-	(17,736)	-	(17,736)
Balance at 30 June 2014	168,067	38,740	(13,029)	33,056	260,674	(1,389)	486,119

	Group						
	Share capital	Statutory reserve	Merger deficit	Capital reserve	Revenue reserve	Translation deficit	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2013	168,067	29,523	(13,029)	33,056	146,364	(3,162)	360,819
Total comprehensive income for the period	-	-	-	-	28,105	3,123	31,228
Balance at 30 June 2013	168,067	29,523	(13,029)	33,056	174,469	(39)	392,047

	Company			
	Share capital	Revenue reserve/ (Accumulated losses)	Translation reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014	168,067	(43,027)	(4,342)	120,698
Total comprehensive income for the period	-	84,163	5,136	89,299
Dividends	-	(17,736)	-	(17,736)
Balance at 30 June 2014	168,067	23,400	794	192,261

	Company			
	Share capital	Accumulated losses	Translation (deficit)/reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2013	168,067	(29,758)	4,823	143,132
Total comprehensive loss for the period	-	(4,834)	(7,558)	(12,392)
Balance at 30 June 2013	168,067	(34,592)	(2,735)	130,740

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buybacks, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There have been no changes in the Company's share capital during the 6 months ended 30 June 2014.

The Company did not hold any treasury shares as at 30 June 2014 or 31 December 2013 respectively.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The Company's total number of issued shares was 356,536,000 as at 30 June 2014 and as at 31 December 2013 respectively.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported thereon.**

Not applicable.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

There are certain new Singapore Financial Reporting Standards ("FRS") that are published and mandatory for accounting periods beginning on or after 1 January 2014. The adoption of these FRS where applicable did not have any material impact on the financial statements for 6 months ended 30 June 2014. Apart from this, the same accounting policies and methods of computation have been consistently applied.

- 5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not applicable.

- 6 **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group			
	2nd Quarter ended	2nd Quarter ended	6 Months ended	6 Months ended
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
Earnings per ordinary share of the group				
(in RMB cents):				
(a) Based on weighted average number of ordinary shares on issue; and	7.29	4.30	11.47	7.88
Weighted average number of ordinary shares for basic earnings per share computation ('000)	356,536	356,536	356,536	356,536
(b) On a fully diluted basis	7.29	4.30	11.47	7.88
Weighted average number of ordinary shares adjusted for the effect for dilution ('000)	356,536	356,536	356,536	356,536

- 7 **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**

- (a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	As at	As at	As at	As at
	30/06/2014	31/12/2013	30/06/2014	31/12/2013
Net asset value per ordinary share based on issued share capital at the end of the respective periods (in RMB cents)	136.34	129.78	53.92	33.85
No. of ordinary shares used in computing net asset value ('000)	356,536	356,536	356,536	356,536

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the Group's business. The review must discuss any significant factors that affected the turnover, costs and earning of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period report on.**

OUR BUSINESS

The Group is a global leading manufacturer in the high security equipment. We supply safes for Automated Teller Machines ("ATM") in the banking industry as well as for commercial and residential purposes. With its UL and CEN certified production base in China and Germany, the Group has a global market presence in all major countries.

The Group also designs and manufactures products for the semi-conductor and automotive industries and is recognized for the premium quality and reliability of its products.

Priding itself on core competencies in precision engineering, the Group endeavours to provide integrated solutions to its customers by leveraging on its R&D capabilities, production expertise and excellent customer service.

REVIEW OF PERFORMANCE

(a) Profit statement of the Group

Revenue

For the 6 months ended 30 June 2014, the Group achieved sales of RMB467.5 million, representing a decrease of 7.5% or RMB38.0 million over the last corresponding period.

For the 6 months ended 30 June 2014, sales of the High Security Segment decreased by 9.2% or RMB43.8 million to RMB434.5 million over the last corresponding period due to the weak demand for gun safes in USA markets.

For the 6 months ended 30 June 2014, sales of the Semiconductors Segment increased by 21.5% or RMB5.8 million to RMB33.0 million over last corresponding period mainly due to higher demand for our precision products.

Gross Profit

For the 6 months ended 30 June 2014, gross profit of the Group decreased marginally by 1.0% or RMB1.1 million to RMB104.9 million.

For the 6 months ended 30 June 2014, gross margin of the Group increased from 21.0% in last corresponding period to 22.4% mainly due to the higher margin of High Security Segment. Gross margin of High Security Segment increased from 20.1% to 21.4% due to the change of product mix and better cost control and that of the Semiconductors Segment increased marginally from 35.6% to 35.8%.

Selling and Distribution Expenses

For the 6 months ended 30 June 2014, selling and distribution expenses decreased by 18.4%, or RMB5.5 million to RMB24.5 million mainly due to the decrease in after-sales service expenses, brand licence expenses, and export expenses, which was in line with the sales decline of High Security Segment.

Administrative Expenses

For the 6 months ended 30 June 2014, administrative expenses increased marginally by 1.8%, or RMB0.6 million to RMB33.2 million.

Research and Development Expenses

For the 6 months ended 30 June 2014, research and development expenses increased by 79.8%, or RMB5.7 million to RMB12.8 million due to the development of new products to meet global customer needs.

Other Income

For the 6 months ended 30 June 2014, other income increased by 291.4% or RMB23.9 million to RMB32.1 million mainly due to the fair value changes on contingent liabilities.

On 21 May 2014, the Company announced that it signed an agreement to extend the price compensation provided for the acquisition of Format with Droege Capital until 2020. This led to a significant decrease in the fair value of the contingent liabilities due to the higher share price of the Company, the longer tenure of the guarantee and other factors. For details please refer to the announcement published on SGX website.

The Group continues to enter into RMB/USD forward contracts for hedging purposes.

Other Expenses

For the 6 months ended 30 June 2014, other expenses increased by 68.4% or RMB6.1 million to RMB15.1 million mainly due to the increase in fair value loss on foreign exchange forward contracts and withholding tax on dividends.

Profit before Tax from Operations

For the 6 months ended 30 June 2014, profit before tax was RMB52.2 million, representing an increase of 50.9% or RMB17.6 million as compared to RMB34.6 million for the last corresponding period.

Profit from Operations, Net of Tax

For the 6 months ended 30 June 2014, profit after tax was RMB40.9 million, representing an increase of 45.5%, or RMB12.8 million as compared to RMB28.1 million for last corresponding period.

(b) Statement of financial position of the Group

Non-current Assets

The Group's non-current assets increased by RMB15.2 million from RMB193.1 million as at 31 December 2013 to RMB208.3 million as at 30 June 2014 mainly due to the increase in property, plant and equipment, partially offset by the decrease in intangible assets.

Intangible assets decreased by RMB2.2 million from RMB20.8 million as at 31 December 2013 to RMB18.6 million as at 30 June 2014 mainly due to amortisation.

Property, plant and equipment increased by RMB17.8 million from RMB129.1 million as at 31 December 2013 to RMB146.9 million as at 30 June 2014 mainly due to the addition of property, plant and equipment in China and USA.

Current Assets

The Group's current assets decreased by RMB17.5 million from RMB463.2 million as at 31 December 2013 to RMB445.7 million as at 30 June 2014 mainly due to the decrease in inventories, derivative financial instruments and other receivables, deposits and prepayment, partially offset by the increase in advances to suppliers.

Advances to suppliers increased by RMB15.5 million from RMB6.6 million as at 31 December 2013 to RMB22.1 million as at 30 June 2014 mainly due to the increase in advance payment for purchase of raw materials.

Other receivables, deposits and prepayment decreased by RMB3.3 million from RMB8.3 million as at 31 December 2013 to RMB5.0 million as at 30 June 2014 mainly due to the decrease of prepayment for the purchase of manufacturing equipments.

Derivative financial instruments decreased by RMB12.5 million from RMB13.3 million as at 31 December 2013 to RMB0.8 million as at 30 June 2014 which was due to the depreciation of Chinese Yuan against USD during the period.

Inventories decreased by RMB17.2 million from RMB118.0 million as at 31 December 2013 to RMB100.8 million as at 30 June 2014 mainly due to the seasonal stock up in 2013 Q4 for production.

Current Liabilities

Current liabilities decreased by RMB34.0 million from RMB179.4 million as at 31 December 2013 to RMB145.4 million as at 30 June 2014 mainly due to the decrease in trade payables, other payables and accruals and amounts due to a related party (non-trade), partially offset by the increase in borrowings and provision for income tax.

Borrowings increased by RMB5.3 million from RMB12.5 million as at 31 December 2013 to RMB17.8 million as at 30 June 2014, which was due to a new loan obtained by a US subsidiary (refer to note 1(b)(ii)).

Trade payables decreased by RMB19.2 million from RMB99.1 million as at 31 December 2013 to RMB79.9 million as at 30 June 2014, which was mainly in line with the decrease in inventories.

Other payables and accruals decreased by RMB18.0 million from RMB57.9 million as at 31 December 2013 to RMB39.9 million as at 30 June 2014 mainly due to the reclassification of contingent liabilities arising from the acquisition of Format from current liabilities to non-current liabilities.

Non-current Liabilities

Non-current liabilities increased by RMB8.3 million from RMB14.1 million as at 31 December 2013 to RMB22.4 million as at 30 June 2014 mainly due to the increase in other payables and deferred tax liabilities.

Other payables increased by RMB2.9 million as compared to 31 December 2013 due to the reclassification of the contingent liabilities.

Deferred tax liabilities increased by RMB5.8 million from RMB3.6 million as at 31 December 2013 to RMB9.4 million as at 30 June 2014 due to the deferred tax recognized on the undistributed profits of its China subsidiaries.

Shareholders' Equity

As a result of the Group's net profit generated during the period, the shareholders' equity was enhanced from RMB462.7 million as at 31 December 2013 to RMB486.1 million as at 30 June 2014, representing an increase of 5.1%.

(c) Cash Flow Statement of the Group

Net cash generated from operating activities was RMB33.4 million for the 6 months ended 30 June 2014 which was mainly due to increase in the operating profit before working capital changes and decrease in inventories and other receivables, deposits and prepayments, partially offset by the increase in advance to suppliers and decrease in trade payables.

Net cash used in investing activities was RMB17.0 million for the 6 months ended 30 June 2014 mainly arising from the addition of property, plant and equipment.

Net cash used in financing activities was RMB15.6 million for the 6 months ended 30 June 2014 mainly due to the payment of interim dividends.

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

10. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Group will continue its efforts in expanding markets in the Asia Pacific region and USA. Meanwhile we will also continue to focus on innovation, value-added product development and production efficiency.

The Group acquired 60% of Deutsche Mechatronics on 1 August 2014. We will focus on the integration of this high technology self-service machine company.

Continuous efforts will be made to enhance our growing self-service machine and gaming terminal business.

11. **Dividend**

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No dividend has been declared.

(b) Corresponding Period of the Immediately Preceding Financial Year

No dividend has been declared.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. **If no dividend has been declared/recommendeded, a statement to that effect.**

Not applicable.

13. Interested Person Transactions (“IPTs”)

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial period under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Nantong Mayway Products Corp.	Rental for land and buildings for Q2 2014: RMB0.9 million	NIL
Nantong Wiedson Hi-Wits Precision Works Co. Ltd.	Purchase of raw material for Q2 2014: RMB0.4 million	NIL

*As stated in our Prospectus dated 24 July 2007, under the Restructuring Exercise, the Group has entered into two lease agreements with a related company, Nantong Mayway Products Corp, for the lease of land and buildings for a minimum period of 12 years commencing 1 January 2007. The annual rental will be re-negotiated at the end of the three years at the then prevailing market rate.

The Group has re-negotiated with Nantong Mayway Products Corp. and the two lease agreements was renewed for a period of 3 years commencing from 1 January 2013 with aggregate annual rental at RMB3.74 million.

14. Negative confirmation by the Board pursuant to Rule 705(5)

On behalf of the Board of Directors of the Company, we confirm, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the 2nd quarter ended 30 June 2014 to be false or misleading in any material aspect.

On behalf of the Board of Directors,

Johnny Liu Jiayan
Chairman & CEO

Liu Bin
Executive Director

BY ORDER OF THE BOARD

Johnny Liu Jia Yan
Chairman & CEO
11 August 2014