

## UNAUDITED FINANCIAL STATEMENTS FOR THE 1ST QUARTER ENDED 31 MARCH 2014

## PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF 1ST 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	1st Quarter ended 31/03/2014 RMB'000	1st Quarter ended 31/03/2013 RMB'000	Change %
Revenue	246,675	210,340	17.3
Cost of sales	(191,277)	(164,470)	16.3
<b>Gross Profit</b>	<b>55,398</b>	<b>45,870</b>	<b>20.8</b>
Selling and distribution expenses	(12,856)	(9,705)	32.5
Administrative expenses	(16,452)	(15,420)	6.7
Research and development expenses	(5,795)	(4,394)	31.9
<b>Profit from Operations</b>	<b>20,295</b>	<b>16,351</b>	<b>24.1</b>
Financial expenses, net	(9)	(380)	(97.6)
Other income	8,308	3,552	133.9
Other expenses	(11,283)	(4,002)	181.9
<b>Profit Before Tax</b>	<b>17,311</b>	<b>15,521</b>	<b>11.5</b>
Income tax	(2,414)	(2,737)	(11.8)
<b>Net Profit After Tax</b>	<b>14,897</b>	<b>12,784</b>	<b>16.5</b>
<b>Other Comprehensive Income</b>			
Currency translation differences arising from consolidation	163	987	(83.5)
<b>Total Comprehensive Income for the period</b>	<b>15,060</b>	<b>13,771</b>	<b>9.4</b>
<b>Total Comprehensive Income Attributable to Equity Holders of the Company</b>	<b>15,060</b>	<b>13,771</b>	<b>9.4</b>

n.m. : not meaningful

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

(A) Other Income

	1st Quarter ended 31/03/2014 RMB'000	1st Quarter ended 31/03/2013 RMB'000	Change %
Sales of steel scrap	344	142	142.3
Net of sales of raw materials	648	176	268.2
Amortisation of deferred income	240	240	-
Government grants	500	264	89.4
Foreign exchange gain, net	2,144	-	n.m.
Settlement of forward contracts	4,279	1,300	229.2
Fair value gain on derivative financial instruments	-	1,305	(100.0)
Others	153	125	22.4
	<u>8,308</u>	<u>3,552</u>	<u>133.9</u>

(B) Other Expenses

	1st Quarter ended 31/03/2014 RMB'000	1st Quarter ended 31/03/2013 RMB'000	Change %
Amortisation of land use rights	(231)	(230)	0.4
Fair value loss on derivative financial instruments	(9,052)	-	n.m.
Foreign exchange loss, net	-	(3,771)	(100.0)
Withholding tax on dividends	(2,000)	-	n.m.
Others	-	(1)	(100.0)
	<u>(11,283)</u>	<u>(4,002)</u>	<u>181.9</u>

(C) Financial Expenses, net

	1st Quarter ended 31/03/2014 RMB'000	1st Quarter ended 31/03/2013 RMB'000	Change %
Interest income	649	296	119.3
Interest expenses	(28)	(14)	100.0
Unwinding of discount on contingent consideration	(630)	(662)	(4.8)
	<u>(9)</u>	<u>(380)</u>	<u>(97.6)</u>

**(D) Depreciation and Amortisation**

	1st Quarter ended 31/03/2014 RMB'000	1st Quarter ended 31/03/2013 RMB'000	Change %
Depreciation on property, plant and equipment	3,582	3,097	15.7
Amortisation of land use rights	231	230	0.4
Amortisation of intangible assets	1,085	1,315	(17.5)
	4,898	4,642	5.5

For the 3 months ended 31 March 2014, the Group's depreciation expenses increased by 15.7% to RMB3.6 million over last corresponding period due to the increase of property, plant and equipment of its China subsidiaries.

For the 3 months ended 31 March 2014, the Group's amortisation of intangible assets decreased by 17.5% to RMB1.1 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
	31/03/2014	31/12/2013		31/03/2014	31/12/2013	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
	Unaudited	Audited		Unaudited	Audited	
<b>Assets</b>						
<b>Non-current Assets</b>						
Intangible assets	19,696	20,782	(5.2)	-	-	-
Investment in subsidiaries	-	-	-	30,785	30,039	2.5
Land use rights	42,986	43,218	(0.5)	-	-	-
Property, plant and equipment	132,373	129,125	2.5	-	-	-
<b>Total Non-current Assets</b>	<b>195,055</b>	<b>193,125</b>	<b>1.0</b>	<b>30,785</b>	<b>30,039</b>	<b>2.5</b>
<b>Current Assets</b>						
Cash and bank balances	139,104	168,762	(17.6)	7,928	3,959	100.3
Trade receivables	185,666	148,160	25.3	1,740	1,985	(12.3)
Advances to suppliers	10,394	6,621	57.0	-	96	(100.0)
Other receivables, deposits and prepayment	7,418	8,324	(10.9)	-	58	(100.0)
Due from related parties (trade)	475	-	n.m.	-	-	-
Due from subsidiaries (non-trade)	-	-	-	173,315	112,269	54.4
Derivative financial instruments	4,310	13,322	(67.6)	-	-	-
Inventories	105,235	117,993	(10.8)	-	-	-
<b>Total Current Assets</b>	<b>452,602</b>	<b>463,182</b>	<b>(2.3)</b>	<b>182,983</b>	<b>118,367</b>	<b>54.6</b>
<b>Total Assets</b>	<b>647,657</b>	<b>656,307</b>	<b>(1.3)</b>	<b>213,768</b>	<b>148,406</b>	<b>44.0</b>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Borrowings	12,534	12,469	0.5	-	-	-
Trade payables	88,073	99,139	(11.2)	-	4,536	(100.0)
Other payables and accruals	48,578	57,940	(16.2)	23,949	23,172	3.4
Due to a related party (trade)	-	722	(100.0)	-	-	-
Due to a related party (non-trade)	-	3,600	(100.0)	-	-	-
Provision for income tax	8,261	5,574	48.2	-	-	-
<b>Total Current Liabilities</b>	<b>157,446</b>	<b>179,444</b>	<b>(12.3)</b>	<b>23,949</b>	<b>27,708</b>	<b>(13.6)</b>
<b>Non-current Liabilities</b>						
Deferred income	10,320	10,560	(2.3)	-	-	-
Deferred tax liabilities	2,104	3,576	(41.2)	-	-	-
<b>Total Non-current Liabilities</b>	<b>12,424</b>	<b>14,136</b>	<b>(12.1)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>169,870</b>	<b>193,580</b>	<b>(12.2)</b>	<b>23,949</b>	<b>27,708</b>	<b>(13.6)</b>
<b>Net Assets</b>	<b>477,787</b>	<b>462,727</b>	<b>3.3</b>	<b>189,819</b>	<b>120,698</b>	<b>57.3</b>
<b>Equity</b>						
<b>Capital and reserves attributable to the equity holders of the Company</b>						
Share capital	168,067	168,067	-	168,067	168,067	-
Capital reserve	33,056	33,056	-	-	-	-
Revenue reserve/(accumulated losses)	252,401	237,504	6.3	21,730	(43,027)	n.m.
Statutory reserve	38,740	38,740	-	-	-	-
Translation (deficit)/reserve	(1,448)	(1,611)	(10.1)	22	(4,342)	n.m.
Merger deficit	(13,029)	(13,029)	-	-	-	-
<b>Total Equity</b>	<b>477,787</b>	<b>462,727</b>	<b>3.3</b>	<b>189,819</b>	<b>120,698</b>	<b>57.3</b>

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

**Amount repayable in one year or less, or on demand**

	<b>Group</b>		<b>Group</b>	
	<b>As at 31 March 2014</b>		<b>As at 31 December 2013</b>	
	<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Borrowings	12,534	-	12,469	-

**Details of any collateral**

A German subsidiary of the Company obtained a loan of EUR1.5 million 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.

- 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

	1st Quarter ended 31/03/2014 RMB'000	1st Quarter ended 31/03/2013 RMB'000
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Profit before tax	17,311	15,521
Adjustments:		
Amortisation of land use rights	231	230
Amortisation of intangible assets	1,085	1,315
Amortisation of deferred government grant	(240)	(240)
Depreciation of property, plant and equipment	3,582	3,097
Fair value loss/(gain) on derivative financial instruments	9,052	(1,305)
Settlement of forward contracts	(4,279)	(1,300)
Interest expenses	28	14
Interest income	(649)	(296)
Unwinding of discount on contingent consideration	630	662
<b>Operating profit before working capital changes</b>	<b>26,751</b>	<b>17,698</b>
Trade receivables	(37,341)	(36,463)
Other receivables, deposits and prepayments	916	1,688
Advances to suppliers	(3,773)	(13,796)
Trade payables	(11,136)	31,267
Other payables and accruals	(9,975)	(5,336)
Due to a related party (trade)	(1,197)	1,160
Inventories	12,886	2,554
<b>Cash used in operations</b>	<b>(22,869)</b>	<b>(1,228)</b>
Income tax paid	(1,214)	(3,152)
<b>Net cash used in operating activities</b>	<b>(24,083)</b>	<b>(4,380)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchase of property, plant and equipment	(6,714)	(7,136)
Interest received	649	296
Settlement of forward contracts	4,279	1,300
<b>Net cash used in investing activities</b>	<b>(1,786)</b>	<b>(5,540)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Proceeds from bank borrowings	-	1,486
Due to a related party (non-trade)	(3,600)	-
Interest paid	(506)	(14)
Pledged deposits	1	(1,094)
<b>Net cash (used in)/generated from financing activities</b>	<b>(4,105)</b>	<b>378</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(29,974)</b>	<b>(9,542)</b>
Effects of exchange rate changes in cash and cash equivalent	317	(499)
Cash and cash equivalents at beginning of the period	149,202	83,713
<b>Cash and cash equivalents at end of the period</b>	<b>119,545</b>	<b>73,672</b>
<b>Note:</b>		
<b>For the purpose of the consolidated statement of cash flows, the consolidated cash and cash equivalents comprised:</b>		
-Cash at bank and in hand	78,237	54,840
-Fixed deposits with banks	60,867	37,064
	<b>139,104</b>	<b>91,904</b>
Less: Pledged deposit	(19,559)	(18,232)
<b>Cash and cash equivalents per consolidated statement of cash flows</b>	<b>119,545</b>	<b>73,672</b>

- 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	-	-	-	-	14,897	163	15,060
Balance at 31 March 2014	168,067	38,740	(13,029)	33,056	252,401	(1,448)	477,787

	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	-	-	-	-	12,784	987	13,771
Balance at 31 March 2013	168,067	29,523	(13,029)	33,056	159,148	(2,175)	374,590

	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	-	64,757	4,364	69,121
Balance at 31 March 2014	168,067	21,730	22	189,819

	Company			
	Share capital	Accumulated losses	Translation 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	-	(3,297)	(2,677)	(5,974)
Balance at 31 March 2013	168,067	(33,055)	2,146	137,158

- 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 3 months ended 31 March 2014.

The Company did not hold any treasury shares as at 31 March 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 31 March 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 3 months ended 31 March 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.**

	<b>Group</b>	
	<b>1st Quarter ended</b>	<b>1st Quarter ended</b>
	<b>31/03/2014</b>	<b>31/03/2013</b>
<b><u>Earnings per ordinary share of the group</u></b>		
<b><u>(in RMB cents):</u></b>		
(a) Based on weighted average number of ordinary shares on issue; and	4.18	3.59
Weighted average number of ordinary shares for basic earnings per share computation ('000)	356,536	356,536
(b) On a fully diluted basis	4.18	3.59
Weighted average number of ordinary shares adjusted for the effect for dilution ('000)	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.

	<b>Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/03/2014</b>	<b>31/12/2013</b>
Net asset value per ordinary share based on issued share capital at the end of the respective periods (in RMB cents)	134.01	129.78
No. of ordinary shares used in computing net asset value ('000)	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 its 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

For the 3 months ended 31 March 2014:

#### Revenue

The Group achieved sales of RMB246.7 million, representing an increase of 17.3% or RMB36.3 million over the last corresponding period.

Sales of the High Security Segment increased by 17.4% or RMB33.9 million to RMB228.9 million over the last corresponding period due to higher demand for ATM safes and Self-service machines.

Sales of the Semiconductors Segment increased by 15.8% or RMB2.4 million to RMB17.8 million over last corresponding period mainly due to higher demand for our precision products.

#### Gross Profit

Gross profit of the Group increased by 20.8%, or RMB9.5 million to RMB55.4 million, which is in line with sales growth.

Gross margin of the Group increased from 21.8% in Q1 2013 to 22.5% mainly due to the higher margin of High Security Segment. Gross margin of High Security Segment increased from 20.4% to 21.4% due to better cost control and that of the Semiconductors Segment increased from 39.7% to 40.2% due to the change of product mix.

#### Selling and Distribution Expenses

Selling and distribution expenses increased by 32.5% or RMB3.2 million to RMB12.9 million mainly due to increase in customer service expenses, brand royalty expenses and commission.

#### Administrative Expenses

Administrative expenses increased by 6.7% or RMB1.0 million to RMB16.5 million in Q1 2014 due to the larger operation scale.

#### Research and Development Expenses

Research and development expenses increased by 31.9% or RMB1.4 million to RMB5.8 million due to the development of new products to meet customer needs.

#### Financial Expenses, net

Financial expenses, net decreased from RMB0.4 million to RMB0.01 million mainly due to the increase of the interest income.

#### Other Income

Other income increased by 133.9% or RMB4.8 million to RMB8.3 million mainly due to the increase in foreign exchange gain and the profit on settlement of forward contracts.

The Group continued to enter RMB/USD forward contracts for hedging purposes during the period.

#### Other Expenses

Other expenses increased by 181.9% or RMB7.3 million to RMB11.3 million mainly due to the increase in fair value future loss on foreign exchange forward contracts and withholding tax on dividends.

#### Profit before tax

Profit before tax was RMB17.3 million, representing an increase of 11.5% or RMB1.8 million as compared to RMB15.5 million for Q1 2013.

#### Net profit after tax

Profit after tax was RMB14.9 million, representing an increase of 16.5% or RMB2.1 million as compared to RMB12.8 million for Q1 2013.

## **(b) Statement of financial position of the Group**

### **Non-current Assets**

The Group's non-current assets marginally increased by RMB1.9 million from RMB193.1 million as at 31 December 2013 to RMB195.1 million as at 31 March 2014.

### **Current Assets**

The Group's current assets decreased by RMB10.6 million from RMB463.2 million as at 31 December 2013 to RMB452.6 million as at 31 March 2014 mainly due to the decrease in cash and bank balances, inventories, and derivative financial instruments, partially offset by the increase of trade receivables and advances to suppliers.

Inventories decreased by RMB12.8 million from RMB118.0 million as at 31 December 2013 to RMB105.2 million as at 31 March 2014 mainly due to the decrease of raw materials.

Derivative financial instruments decreased by RMB9.0 million from RMB13.3 million as at 31 December 2013 to RMB4.3 million as at 31 March 2014 mainly due to the depreciation of Chinese Yuan against USD during the period.

Trade receivables increased by RMB37.5 million from RMB148.2 million as at 31 December 2013 to RMB185.7 million as at 31 March 2014 which was generally in line with sales growth.

Advances to suppliers increased by RMB3.8 million from RMB6.6 million as at 31 December 2013 to RMB10.4 million as at 31 March 2014 mainly due to the increase in advance payment for purchase of electronic locks and other raw materials.

### **Current Liabilities**

Current liabilities decreased by RMB22.0 million from RMB179.4 million as at 31 December 2013 to RMB157.4 million as at 31 March 2014 mainly due to the decrease in trade payables, other payables and accruals and amount due to a related party (non-trade).

Trade payables decreased by RMB11.0 million from RMB99.1 million as at 31 December 2013 to RMB88.1 million as at 31 March 2014, which was in line with the decrease of inventories.

The decrease of other payables and accruals was mainly due to the payment of 2013 annual bonus to employees.

### **Non-current Liabilities**

Non-current liabilities decreased by RMB1.7 million from RMB14.1 million as at 31 December 2013 to RMB12.4 million as at 31 March 2014 mainly due to the decrease in deferred tax liabilities.

### **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 RMB477.8 million as at 31 March 2014, representing an increase of 3.3%.

## **(c) Cash Flow Statement of the Group**

Net cash used in operating activities was RMB24.1 million for the 3 months ended 31 March 2014 which was mainly due to the increase in trade receivables, the increase in advance to suppliers, the decrease in trade payables, the decrease in other payables and accruals, and the decrease in the amount due to a related party (trade), partially offset by the decrease in inventories and the operating profit before working capital changes.

Net cash used in investing activities was RMB1.8 million for the 3 months ended 31 March 2014 mainly arising from the addition of property, plant and equipment, partially offset by the settlement of forward contracts.

Net cash used in financing activities was RMB4.1 million for the 3 months ended 31 March 2014 mainly due to the repayment of amount due to a related party (non-trade).

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.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

Yes. An interim dividend (tax exempt one-tier) of S\$ 0.01 per ordinary share is declared on 14 May 2014.

**(b) Corresponding Period of the Immediately Preceding Financial Year**

No dividend has been declared.

**(c) Date payable**

To be announced at a later date.

**(d) Books closure date**

To be announced at a later date.

**12. If no dividend has been declared/recommended, 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 Q1 2014: RMB0.9 million	NIL
Nantong Wiedson Hi-Wits Precision Works Co. Ltd.	Purchase of raw material for Q1 2014: RMB0.2 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 were 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 1st quarter ended 31 March 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  
14 May 2014