
INDUSTRY OVERVIEW

The information and statistics set forth in this section have been extracted from a report dated 21 September 2012 on, among others, the trends of outsourcing manufacturing, precision engineering industry and the major end market segments which the Group operates in, for the PRC and globally, issued by CCID, an independent market research company that we commissioned with a fee of RMB230,000. We believe that the CCID Report is an appropriate source of information. Data compiled by CCID is based on published information and interviews with companies in the relevant industry, including us.

This section contains information derived from various sources. We believe that these sources are appropriate for deriving such information and have taken reasonable care in extracting and reproducing such information. We and other parties involved in the Global Offering have undertaken due diligence on CCID and its findings, including with respect to the future periods up to 2015, and have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, the information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors or advisors or any other party involved in the Global Offering and no representation is given as to its accuracy.

SOURCES OF INFORMATION

We have commissioned CCID, an independent market research company based in the PRC, to analyze and report on, among others, the trends of the outsource manufacturing industry, the precision engineering industry and the major end market segments which the Group operates in, for the PRC and globally. To provide an analysis of the aforementioned markets, CCID combined both primary and secondary research by applying its macro-economic outlook and its understanding of the development patterns of the industry. Data collection was carried out by analysts with specific knowledge of the respective markets covered by the CCID Report. Secondary sources such as company report and historical market data were generated through the analysis of relevant data such as production, trade and consumption that were prepared by various governmental authorities and industry associations, such as the Ministry of Industry and Information Technology of the PRC. In preparing its report, CCID also conducted interviews with suppliers and manufacturers in the related industries to support its forecast model. The interviews also served as a method of cross-checking and data verification. Market forecasts present CCID's view of the key demand market drivers to determine the future development of the markets mentioned above. The information and statistics as set forth in this section have been extracted from the report issued by CCID.

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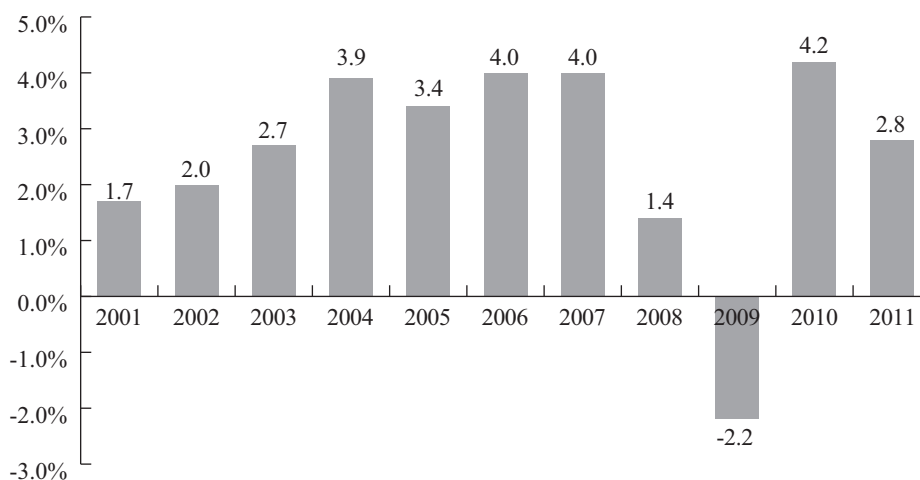
CCID is one of the leading providers of market research and management consultancy services in China listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8235). CCID provides local and overseas clients with comprehensive professional services such as industry analysis, policy studies, market surveys, product testing and certification, and network consulting services. CCID prepared periodic market research reports on various industries including the telecommunications industry. CCID is independent of our company and none of our directors or their associates has any interest in CCID.

OVERVIEW OF THE GLOBAL ECONOMIC ENVIRONMENT

The precision engineering industry services a wide range of end markets which ranges from the consumer electronics products to medical and laboratory test equipment. As such, growth of the precision engineering industry is dependent upon the end markets which it serves. Given the diversity of end markets served by the Group, GDP growth represents a fair determinant of its growth. Global real GDP growth fluctuated from 1.4% in 2008 to -2.2% in 2009 and then rebounded to 4.2% in 2010 and slowed down to 2.8% in 2011.

The downturn during 2008 and 2009 was a result of the global financial crisis, which began to show signs of recovery in late 2009. In recent years, substantial government investments in infrastructure by emerging economies such as the PRC, have also become an important driver of GDP growth. More developed economies have found it difficult to match the strong growth experienced in emerging economies, and in overall the global GDP growth is expected to remain at a more stable rate. The International Monetary Fund expects global GDP to increase at an average rate of approximately 3.4% each year from 2012 through to 2015.

2001-2011 Historical Real GDP Growth Rates



Source: International Monetary Fund

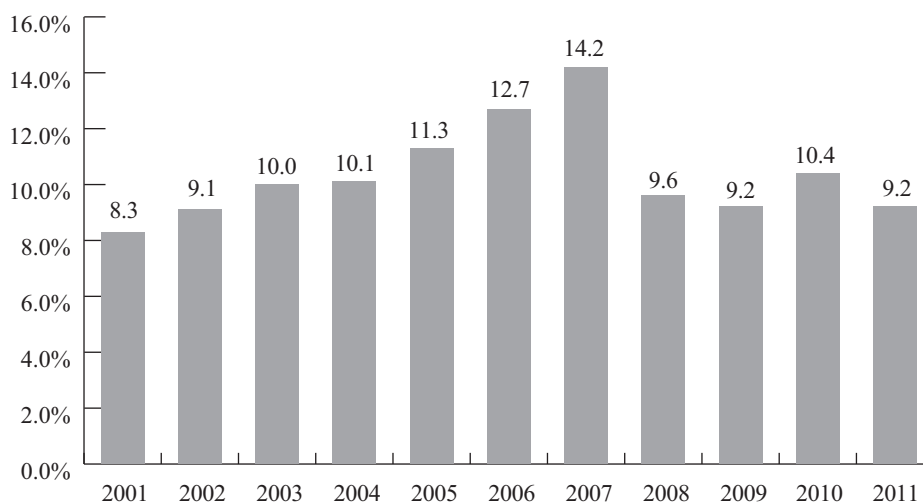
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PRC

The PRC's economy had expanded rapidly since the economic reform initiated by the PRC government in the late 1970s. The PRC's gradual economic reform, which included the designation of special economic zones in cities such as Shenzhen had provided a platform for a certain degree of free trade, which contributed greatly to the rapid expansion of the PRC economy in the past decade. In 2010, the PRC surpassed Japan as the second largest economy in the world, lagging behind the United States only.

Despite recent concerns that the further tightening macroeconomic measures by the PRC government may constrain the growth of the PRC economy, it is expected the PRC shall remain as the global economic steam engine fuelled by its domestic consumption, investments and exports. The real GDP of the PRC is targeted to grow at an average rate of 7.0% between 2011 and 2015 according to the 12th Five Year Plan issued by the NPC.

2001-2011 Historical Real GDP Growth Rate of the PRC



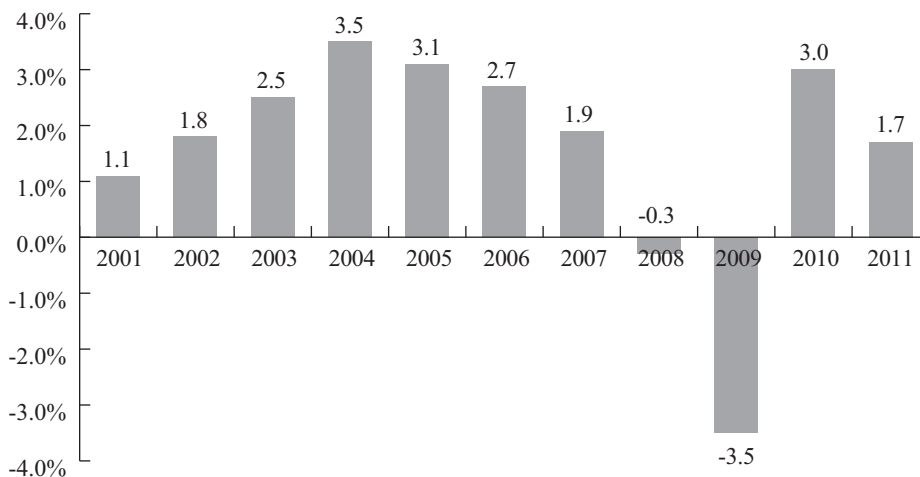
Source: International Monetary Fund

United States

Triggered by the global financial crisis of 2008, the U.S. economy entered into a temporary depression which saw its real GDP decline by 3.5% in 2009. The real GDP of the United States recovered with a 3.0% growth in 2010 and a 1.7% growth in 2011 to reach US\$13.3 trillion, according to the U.S. Bureau of Economic Analysis. Further, the real GDP of the United States is estimated to grow by 2.1% in 2012 according to International Monetary Fund. The recovery of the economy of the United States is primarily driven by increasing domestic consumption and growing exports of goods and services, in particular to emerging economies.

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2001-2011 Historical Real GDP Growth Rates of the United States

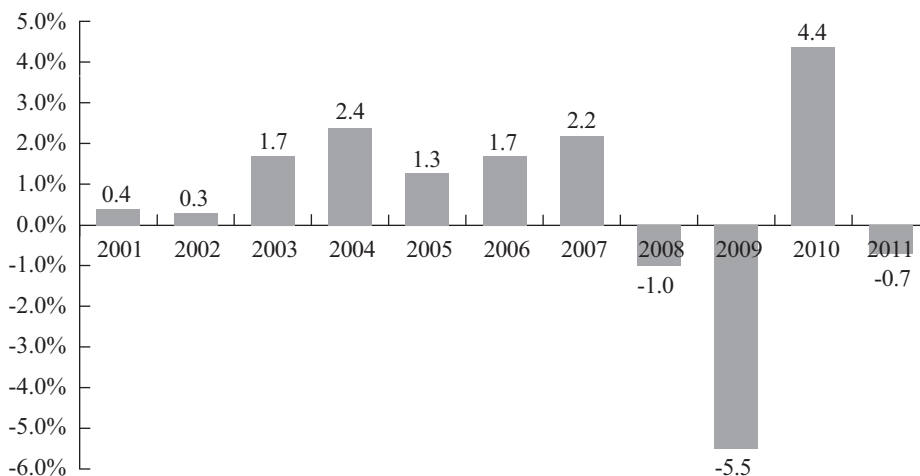


Source: Bureau of Economic Analysis, U.S. Department of Commerce

Japan

As a result of the negative impact on the March 2011 earthquake and tsunami on the Japanese economy, where supply chain disruptions weighed heavily on industrial production, consumer sentiment and spending, Japan's real GDP growth declined by 0.7% in 2011. Nevertheless, the International Monetary Fund expects economic activity in Japan to bounce back from the twin disasters starting in mid-year of 2011, as supply constraints ease and reconstruction spending accelerates. On this basis, the International Monetary Fund expects real GDP growth of Japan to rise to a positive 2.0% in 2012.

2001-2011 Historical Real GDP Growth Rates of Japan



Source: International Monetary Fund

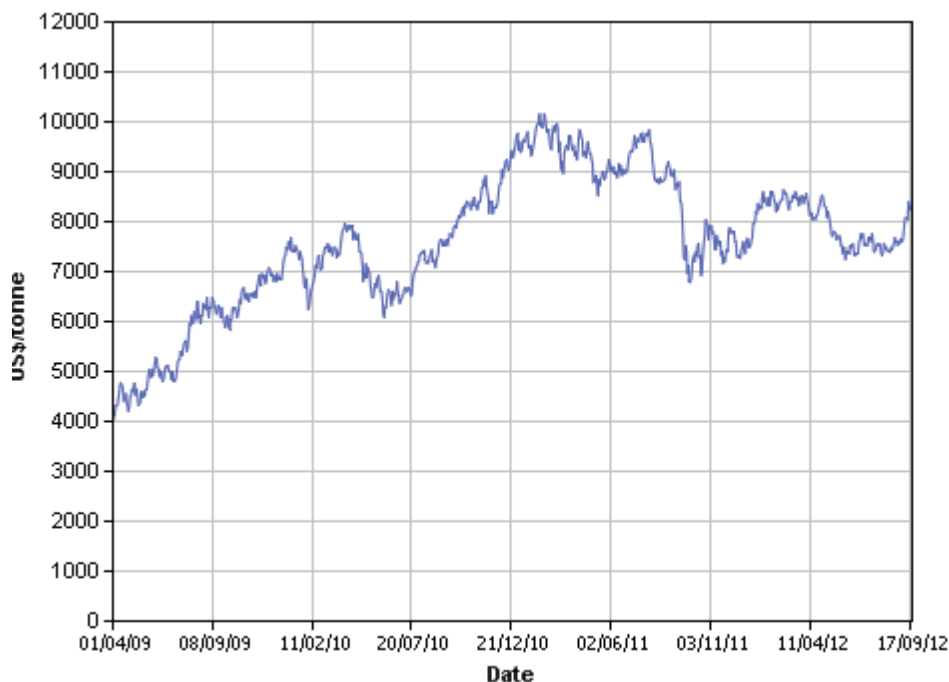
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PRICE TRENDS OF MAJOR RAW MATERIALS

Our Group mainly purchases electrolytic plate, stainless steel, iron, copper and aluminium for our manufacturing processes. The agreements on pricing for the above raw materials are made between our Group and our suppliers with reference to the price quotes on London Metal Exchange. While direct market quotes are not available for electrolytic plate and iron, we make reference to the price trends of steel quoted on London Metal Exchange as a benchmark of fluctuation in pricing.

Price Trends of Copper

The price of copper has demonstrated an upward trend from the beginning of the Track Record Period through the Latest Practicable Date. Copper price had increased substantially in 2011 as compared with 2010. The average closing price of three-month copper futures on London Metal Exchange showed a 17.0% increase from 2010 to 2011, representing an average of US\$8,835 per tonne. Under the global economic impact, copper price decreased gradually during the first half of 2012 and demonstrated recovery in price level since end of August 2012, representing a current trade price of US\$8,202 per tonne.

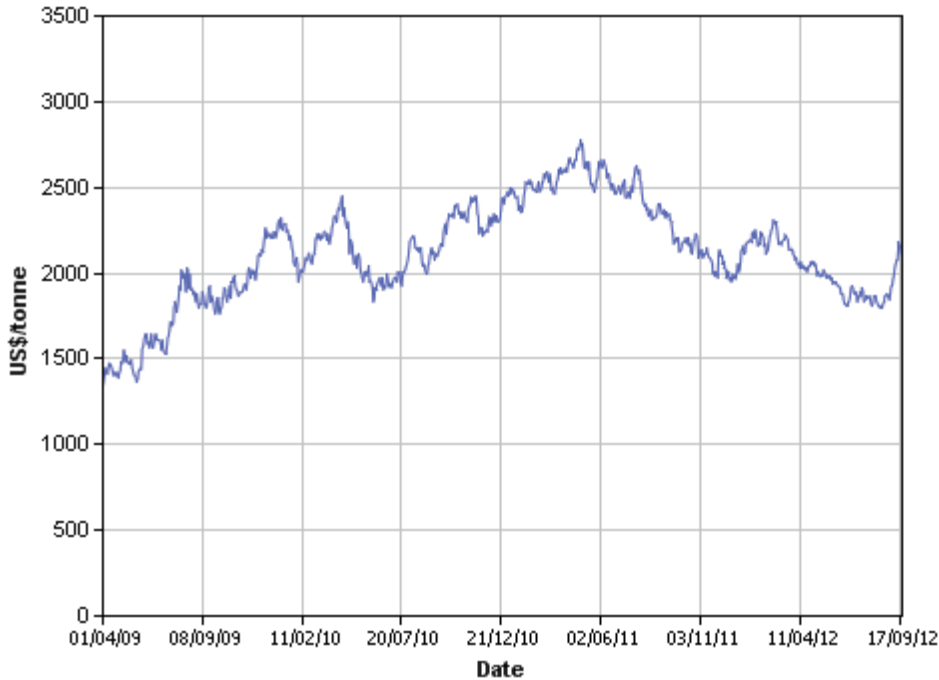


Source: London Metal Exchange

Price Trends of Aluminium

Based on information obtained from the London Metal Exchange, the price of aluminium showed an upward trend from 2009 through 2011, and reached a high of US\$2,662 per tonne in April 2011 before trending downwards. The decrease in aluminium price was due to the impact of negative factors such as the Eurozone debt crisis, earthquake in Japan and lackluster economic recovery in the United States. As at the Latest Practicable Date, aluminium trades at US\$2,096 per tonne.

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Source: London Metal Exchange

Price Trend of Steel

The price of steel increased sharply from approximately US\$300 per tonne during the beginning of the Track Record Period to as high as reaching almost US\$700 per tonne in 2011. However, the price experienced a steep drop from late 2011 through the first half of 2012 due to impact from the global economic environment. Steel price is currently trading at US\$335 per tonne as at the Latest Practicable Date.



Source: London Metal Exchange

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GLOBAL TREND OF OUTSOURCE MANUFACTURING

Outsource manufacturing refers to corporations transferring or assigning part of their originally internally handled production processes to external professional manufacturers which are able to deliver high quality manufactured parts and design services according to the outsourcers' requirements.

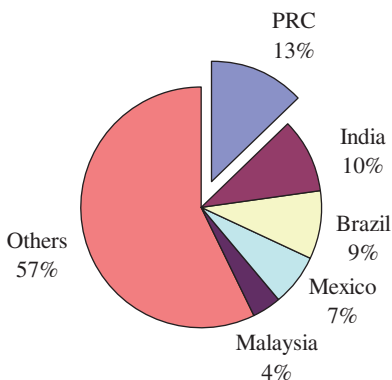
The outsource manufacturing model allows corporations to focus on its core competencies and improve its agility in adapting to change. Outsourcing manufacturing processes has become an important strategy of corporations in order to optimize their value chains and to achieve low cost and high product quality objectives.

Under increasing market competition, in order for upstream manufacturers to expand market share, lower production costs, improve efficiency, shorten delivery time and enlarge production capacity, design and product development functions are often being outsourced to external manufacturers as well. Upstream manufacturers can then focus on brand building and distribution channels exploration.

As outsource manufacturers are focused on improving its production technique and reducing production costs, they are often able to accumulate valuable technical expertise in the various production techniques or methodologies which it specializes in. Outsource manufacturers also bring a wealth of accumulated design, product development and production knowledge to the upstream manufacturers.

Outsource manufacturing services first gained prominence in Europe and the United States, then became popularized in low cost countries/regions such as South America, Southeast Asia and the PRC. According to the CCID Report, the size of the global outsource manufacturing industry was approximately US\$4,672.3 billion in 2011, of which US\$595 billion was attributable to the PRC, making up approximately 12.7% of the global outsource manufacturing industry size.

2011 Global Outsource Manufacturing Size Breakdown (by Destination Country)



Source: CCID Report

INDUSTRY OVERVIEW

Rising inflation and labor costs in countries like the PRC, have caused certain outsource manufacturing processes to be moved to less developed and lower cost countries such as India, the Philippines and Vietnam. However, the market share of these countries are still relatively small as compared to the PRC.

Taking advantage of technological advancements accumulated and developed through the growing PRC outsource manufacturing industry, outsource manufacturers in the PRC have closed the gap with developed countries in terms of technological expertise. The experience, infrastructure and expertise accumulated and developed by major PRC outsource manufacturers has allowed the PRC to maintain its leading position in the outsource manufacturing industry despite increasing costs.

Outsourcing manufacturing becoming more service oriented

The rapid growth in the outsourcing manufacturing industry has allowed many outsource manufacturers to significantly improve production techniques and lower production costs. However, in countries such as the PRC, manufacturing industries still tend to be stronger at the mid to downstream of the value chain. As such, many outsource manufacturers in developing countries are starting to place more emphasis on developing their upstream manufacturing capabilities.

Not only are outsource manufacturers required to demonstrate their capabilities in various production techniques, service level is also a key factor to their success. Measurements of service levels typically include: speed and accuracy in prototyping, short lead time and high success rate for mass production of new products and timeliness of delivery.

Furthermore, in the assessment and selection of outsource manufacturers, an outsource manufacturer's management control systems, research and development, manufacturing capabilities, service level and environmental friendliness are important criteria to be considered.

PRC's transformation as the global manufacturing hub

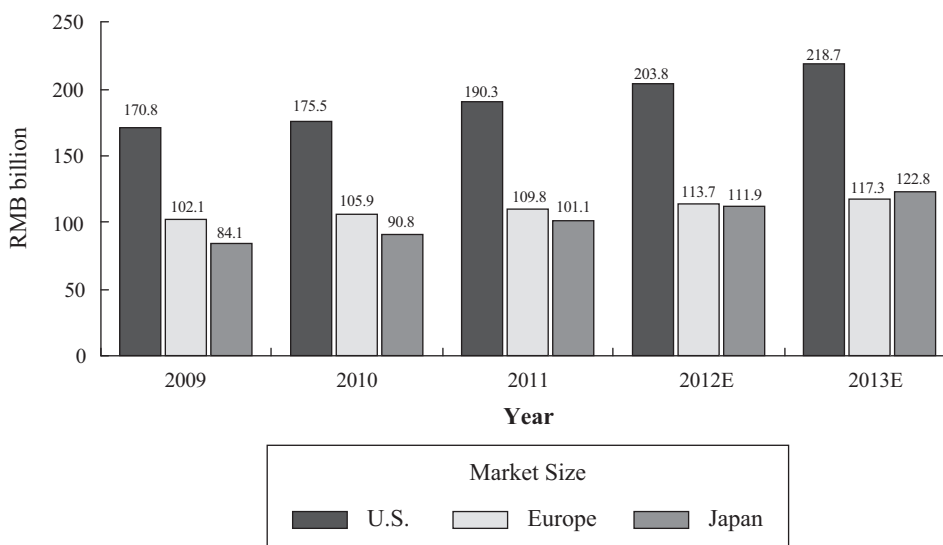
PRC's manufacturing industry has transformed from the simple raw materials processing Original Equipment Manufacturer (OEM) model, into a more EMS and Original Design Manufacturer (ODM) like model whereby a manufacturer's level of professional services and vision of the end market are more relevant to its success. The focus of the PRC manufacturing industry has shifted from low mix-high volume products such as television sets, traditional mobile phones and DVD players, to high mix-low volume products such as medical and laboratory test equipment, finance machines, office automation and high end digital consumer electronics.

As a global manufacturing hub, the PRC has achieved a high share of global production capacity for many products such as air-conditioners, MP3/MP4 players and flash memory, where the PRC accounted for over 70% of global output, according to the CCID Report.

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Many developed countries/regions such as the United States, Europe and Japan have continued to increase their manufacturing outsourcing to countries like the PRC. The following chart illustrates the trends and forecasts of outsource manufacturing market size in the PRC:

2009-2013 Market Sizes of Outsource Manufacturing to the PRC



Source: CCID Report

The United States is a leading industrial country which is strong in sectors such as aerospace, aviation, microelectronics, computers, automobile manufacturing. The United States is one of the pioneers in using outsourcing manufacturing as a strategy to save costs. This has continued to be a key strategy for many U.S. manufacturers where the PRC is one of its major outsourcing manufacturing partner countries.

Although certain European countries' manufacturing industries are beginning to shrink. For example, United Kingdom's manufacturing industry has only contributed to less than 10% of its GDP in 2011. Nonetheless, countries like Germany have continued to maintain a strong manufacturing industry, while Eastern European countries such as Poland and Hungary have growing manufacturing industries.

Japanese office automation corporations such as Epson, Fuji Xerox and Ricoh have already established comprehensive production lines in the PRC. Except for certain LCD and complex electronics parts, most other parts are being made in the PRC. Japanese automobile manufacturers have also been continuously increasing their parts manufacturing capabilities in the PRC in order to remain competitive in the industry.

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Fragmented industry

The industry which the Group operates in is fragmented. The Group's customers are headquartered and has operations in various countries around the world. As such, the Group competes with outsource manufacturing companies across the globe and also with in-house capabilities of customers and potential customers. Different outsource manufacturers also have different mix of manufacturing capabilities which may include one or several of the following: metal stamping, turning, lathing, machining, plastic moulding and assembly.

As illustrated in the chart headed "2011 Global Outsource Manufacturing Size Breakdown (by Destination Country)" set out in the section headed "Industry Overview – Global Trend of Outsource Manufacturing", the top five countries in the outsource manufacturing industry, namely PRC, India, Brazil, Mexico and Malaysia, only takes up 13%, 10%, 9%, 7% and 4% share of the global market respectively, whereas the other countries contributes to the remaining 57%.

As the competitive landscape of the industry is scattered across different geographical locations, industry players and in-house manufacturing capabilities, there is no meaningful and specific statistics on market shares of a particular industry player readily available. Out of the many competitors in our industry, there are a few that are listed on different stock exchanges which have different mix of products produced and end customer segments served. According to the CCID Report, the size of the global outsource manufacturing industry was approximately US\$4,672.3 billion in 2011.

DEVELOPMENT OF THE PRECISION ENGINEERING INDUSTRY IN THE PRC

Precision engineering services is a more sophisticated and comprehensive form of outsourcing manufacturing covering all aspects of the manufacturing process: product design, prototyping, mould and die-making, multiple materials, multiple precision manufacturing processes, supply chain management, assembly, packaging and delivery.

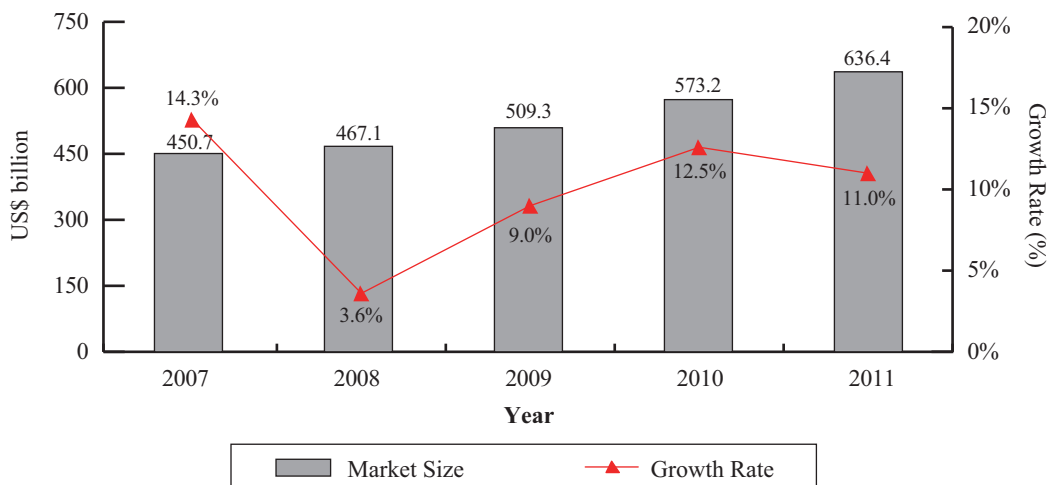
Precision engineering services are available to customers from a wide range of industries. The industries which the Group focuses on are medical and laboratory test equipment, finance machines, consumer electronics, office automation and data storage and networking equipment.

Precision engineered fine metals parts form critical fundamental components of a wide variety of manufactured products. The diversity of application for precision engineering parts explains its close correlation with global macroeconomic trends. During the global financial crisis in 2008, the slowdown of global manufacturing and manufactured goods demand significantly affected the growth of the precision engineering industry. Nevertheless, the global precision engineering industry maintained a 3.6% growth in 2008. The stability of the industry's growth performance is partly attributable to the diverse nature of the variety of its end customers, which allows for mitigation of sector specific risks.

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The post-global financial crisis economic recovery driven by government stimulus packages from leading economies has helped speed up growth in the precision engineering industry. According to the CCID Report, the global precision engineering industry has reached approximately US\$636.4 billion in 2011, representing a year-on-year growth of 11.0%.

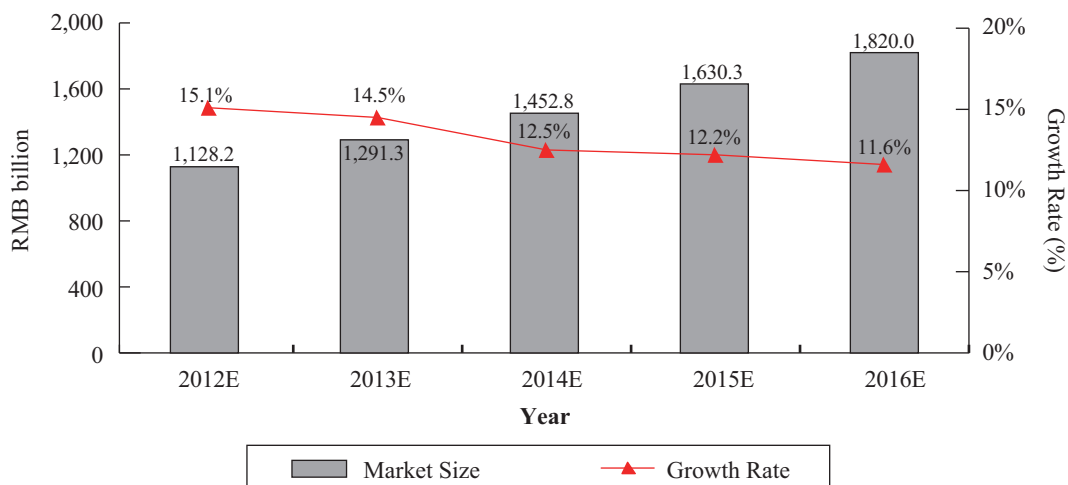
2007-2011 Global Precision Metal Parts Engineering Market Size and Growth Rate



Source: CCID Report

According to the CCID Report, the global precision metals parts industry is expected to grow at a CAGR of as high as 10.8% from 2012 to 2014. It is expected that growth in the downstream products will directly benefit the precision metal parts industry in the PRC.

2012-2016 PRC Precision Metal Parts Engineering Market Size and Growth Forecast



Source: CCID Report

INDUSTRY OVERVIEW

As new technologies and manufacturing techniques become more prominent, the complexity and precision requirements for manufactured products also increase. Production techniques become more automated and computerized. Skill and technological improvements have also allowed wider application of precision metal parts in areas such as consumer electronics, finance machines, telecommunications equipment, aerospace and office automation.

Importance of high mix-low volume model

Under an increasingly competitive market environment, upstream manufacturers tend to emphasize more on research and development of new product features and cosmetic appearance of products. The increasing number of specialized or customized product models has led to smaller batches of products being delivered. As a result, manufacturers are required to adapt to high mix of product types, low batch volume and non-standardized products which is not ideal in terms of achieving economies of scale. Therefore, it becomes more challenging to maintain efficiency in the investment in equipment and the procurement of raw materials. The determinant between competitive precision engineering service providers and average OEM's depends on whether such manufacturers have complete supply chain capabilities to competitively offer high mix – low volume products to customers.

Fragmented industry allowing higher reward to more sophisticated outsource manufacturing service providers

According to the CCID Report, the OEM industry in general is still fragmented with many small scale players who possess relatively primitive equipment, less sophisticated production techniques and less developed management systems. These small players are often unable to deliver high precision or high quality products. As a result, the mid to low end market has become highly competitive. Industry players which have the ability to produce higher precision and higher quality products are valued by their customers and are in return rewarded with higher margin.

OVERVIEW OF THE MEDICAL AND TEST EQUIPMENT MARKET

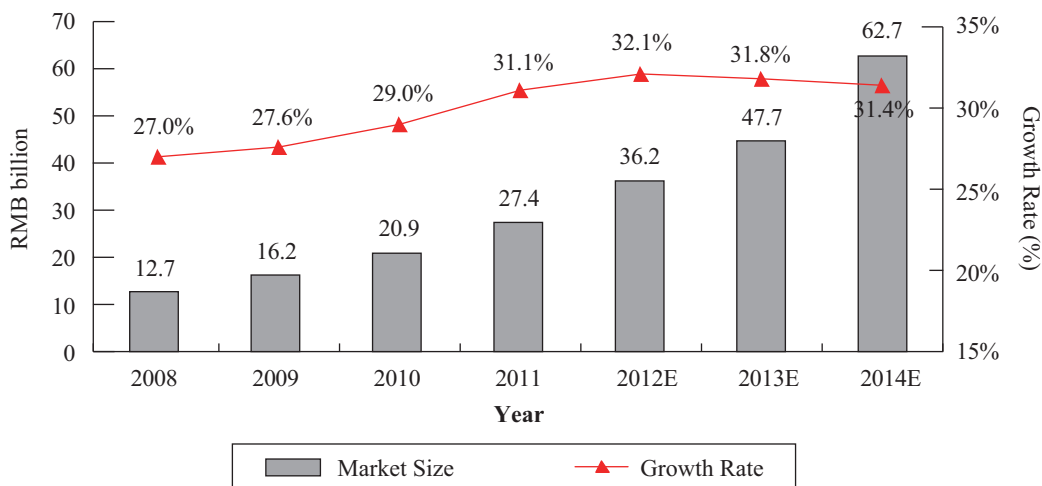
Medical Equipment Market

According to the CCID Report, the medical equipment market consists of five main categories, namely, diagnostic equipment, treatment equipment, medical imaging equipment, consumer medical equipment and monitoring equipment.

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In 2011, recovery of the world economy from the global financial crisis and increasing demand has driven the growth of the global electronic medical equipment industry, which saw global medical equipment sales reach US\$91.7 billion, being a year-on-year increase of 21.3%.

2008-2014 PRC Medical Equipment Market Size and Growth



Source: CCID Report

According to the CCID Report and as illustrated in the table above, size of the PRC medical equipment market grew from RMB12.7 billion in 2008 to RMB27.4 billion in 2011, representing a CAGR of approximately 28.6%.

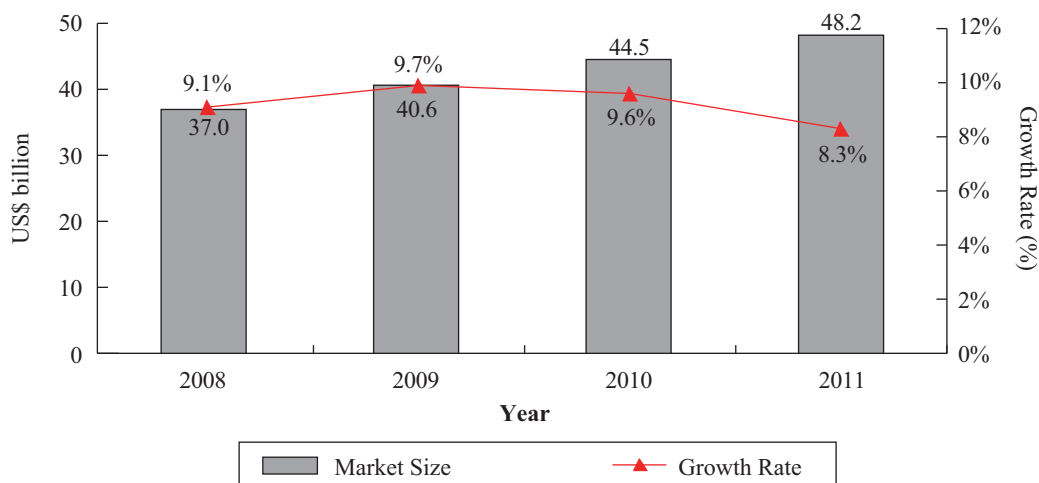
With the general population's increase in health awareness and health related expenses, the medical equipment market has achieved continuous growth and total sales has reached approximately RMB27.4 billion in 2011, representing a 31.1% year-on-year growth. CCID expects the size of the medical equipment market to continue to grow at a rate of above 30% annually to reach approximately RMB62.7 billion by 2014.

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Test Equipment Market

The test equipment market has grown alongside with the medical equipment market. The wide range of application of test equipment which spans across agricultural, energy, telecommunications, environmental, material, biological and medical sectors has enabled the global sales of test equipment to maintain year-on-year growth between the range of 8.3% and 9.7% between 2008 and 2011.

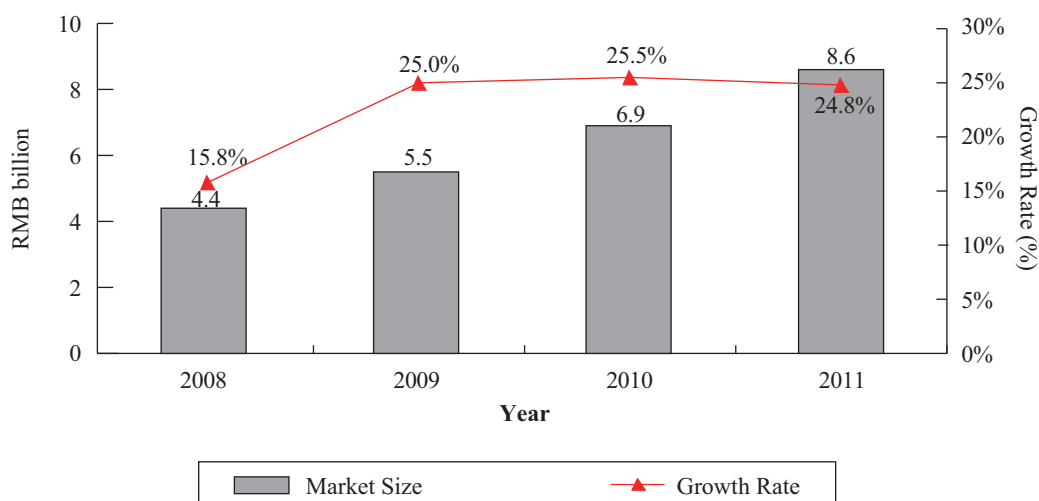
2008-2011 Global Test Equipment Market Size and Growth



Source: CCID Report

According to the CCID Report, 73% of the PRC's test equipment is imported from overseas as of 2011. Such trend is particularly remarkable in relation to high-end and high precision test equipment.

2008-2011 PRC Test Equipment Market Size and Growth



Source: CCID Report

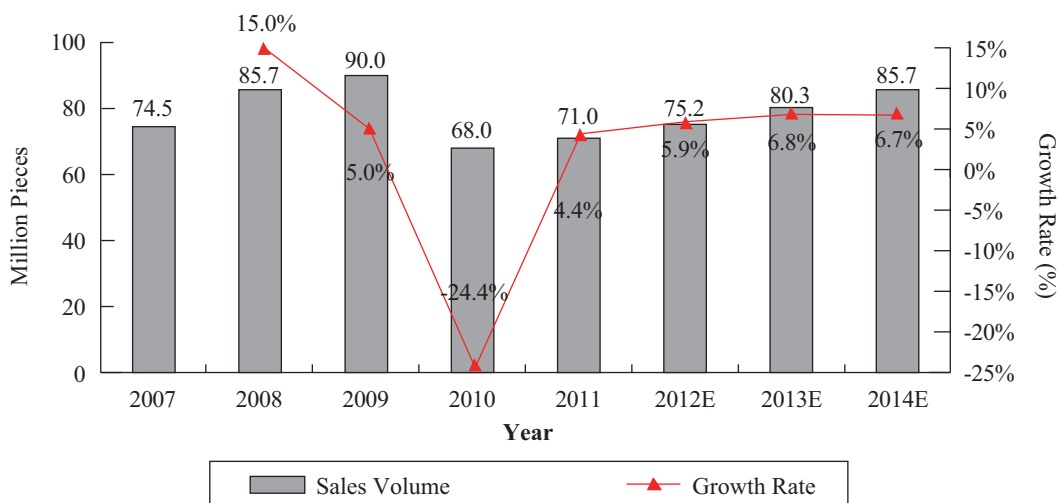
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For example, Agilent Technologies, Inc. has the largest gas chromatography market share globally, leveraging on its manufacturing bases in the PRC to enjoy a major piece of the mid to low-end market.

Gas chromatography is a major product within the medical and test equipment segment of our Group. The main applications for gas chromatography equipment are petroleum and petrochemical analysis, environmental analysis, food safety testing, laboratory testing and other research purposes.

Over recent years, food safety and environmental protection incidents have become more frequent. The situation has exacerbated in 2008 and 2009 with several high profile food safety incidents. According to CCID, such incidents are partly attributable to rapid increase in demand for medical and lab testing equipment. However, as economic growth in the PRC hit a temporary slowdown in 2009 combined with factors such as excess demand, high unit price and high capital investment resulted in a dramatic drop in sales for gas chromatography equipment in 2010. Nonetheless, CCID expects demand for gas chromatography equipment to stabilize and recover gradually from 2011 onwards, mainly taking into consideration the reasons including: (i) growth in petroleum and petrochemical products; (ii) stable demand from research institutions; (iii) long term issues with environmental protection and food safety; and (iv) the roll out of new models of gas chromatography equipment.

2007-2014 PRC Gas Chromatography Equipment Market Size and Growth



Source: CCID Report

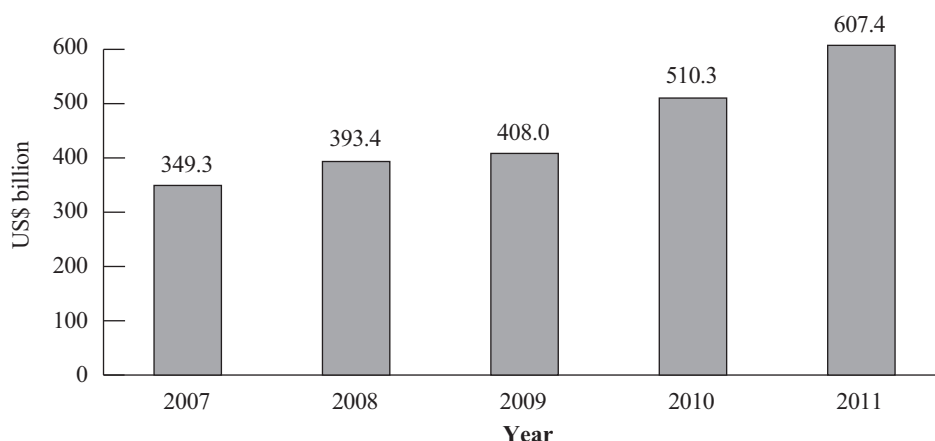
OVERVIEW OF THE CONSUMER ELECTRONICS MARKET

Since 2010, consumer electronics market began to recover along with the recovery of the economy from the global financial crisis. Mainstream brands of North America, Western Europe, Japan and Korea are leading the pack in this recovery. Consumer electronics manufacturing in emerging markets such as the PRC has continued to demonstrate strong growth.

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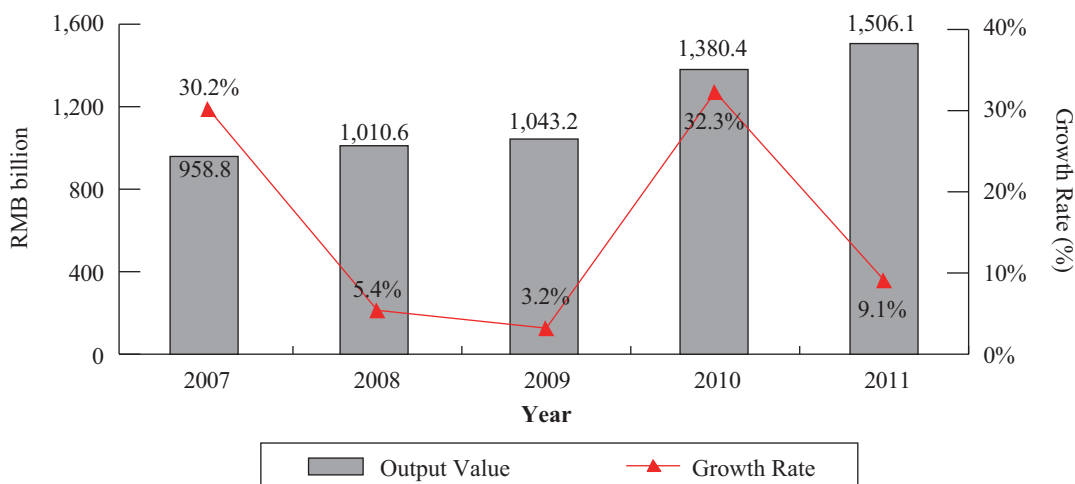
Total global consumer electronics products output reached 2,346.0 million pieces in 2011, representing a 10.6% increase from 2010. In 2011, with the roll out of new technologies and new products along with price increases, global sales reached US\$607.4 billion, representing an increase of 19.0% from 2010. In particular, the upspring of popular new tablet PC models has accelerated the growth of the consumer electronics market. According to the CCID Report, total global output value of tablet PCs has reached US\$36.3 billion in 2011 from US\$12.7 billion in 2010.

2007-2011 Global Sales of Consumer Electronics Products



PRC is the world's largest manufacturing base and the second largest consumer market for consumer electronics. In 2011, approximately 1,669.4 million pieces of consumer electronics products were manufactured in the PRC, being an increase of 5.1% from the previous year. The size of PRC consumer electronics market in 2011 has reached RMB1,506.1 billion, representing a year-on-year growth of 9.1%.

2007-2011 PRC Consumer Electronics Output Value and Growth

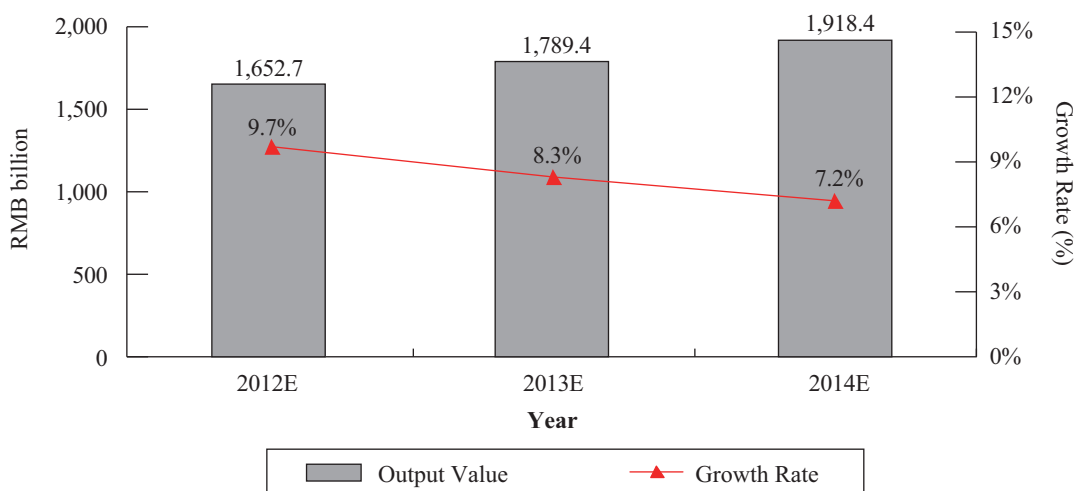


Source: CCID Report

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According to the CCID Report, the size of the consumer electronics market will continue to expand. In particular, the newly popularized tablet PC market had reached a global output value of US\$36.3 billion in 2011. As the PRC is a production base for global consumer electronics industry, the demand in precision engineered metal parts for products in this segment is expected to rise as well. CCID forecasts that China's consumer electronics output in 2012 will reach 1.79 billion units, being an increase of approximately 7.3% as compared with 2011. Driven by product upgrades and widened applications of consumer electronics products, the overall average selling price of such products have improved. Total output of consumer electronics products reached RMB1,652.7 billion in 2012, representing an increase of 9.7% as compared to 2011. CCID expects that consumer electronics output in the PRC to grow at a CAGR of 7.0% for the three years up to 2014. By 2014, PRC's consumer electronics output shall exceed 2.045 billion units and total output value shall reach RMB1,918.4 billion.

2012-2014 PRC Consumer Electronics Output Value and Growth Forecast



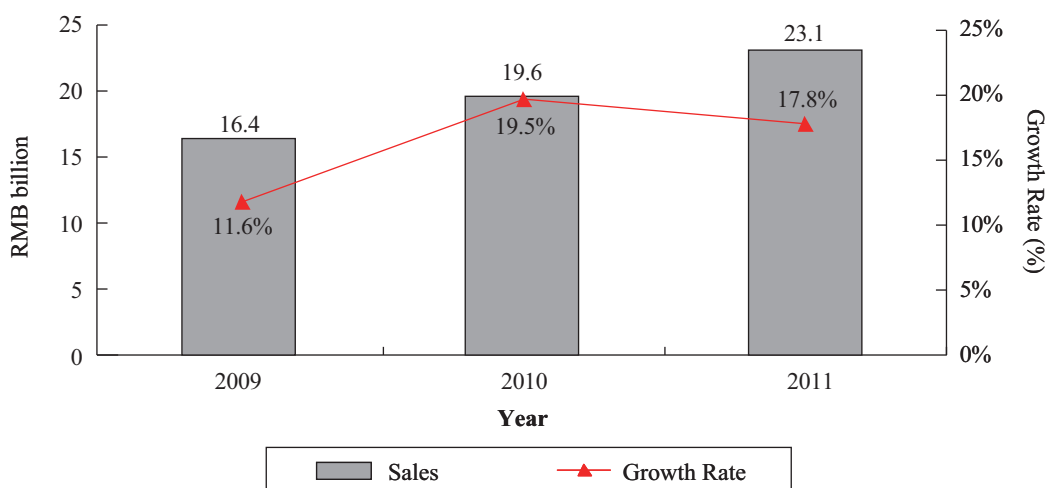
Source: CCID Report

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OVERVIEW OF THE FINANCE MACHINES MARKET

In 2011, global finance machines products sales reached US\$24.1 billion, representing an increase of 8.3% from the previous year. In 2011, the finance machines market in the United States and Europe grew at a slower rate as compared to the Asian markets. The U.S. and Europe markets achieved sales of US\$7.5 billion and US\$6.7 billion respectively in 2011, representing year-on-year growth rates of 6.8% and 6.2% respectively. Whereas, in the same year, Japan and Asia Pacific (ex-Japan) regions achieved US\$4.5 billion and US\$5.5 billion respectively, representing year-on-year growth rates of 9.2% and 12.0% respectively.

2009-2011 PRC Finance Machines Sales and Growth



Source: CCID Report

2010-2011 Electronic Finance Machines Sales and Growth by Geographic Region

Countries/Region	Sales of	Sales of	Growth rate
	year	year	
	2010	2011	
	(US\$ billion)	(US\$ billion)	
U.S.	7.0	7.5	6.8%
Europe	6.3	6.7	6.2%
Japan	4.1	4.5	9.2%
Asia (ex-Japan)	4.9	5.5	12.0%

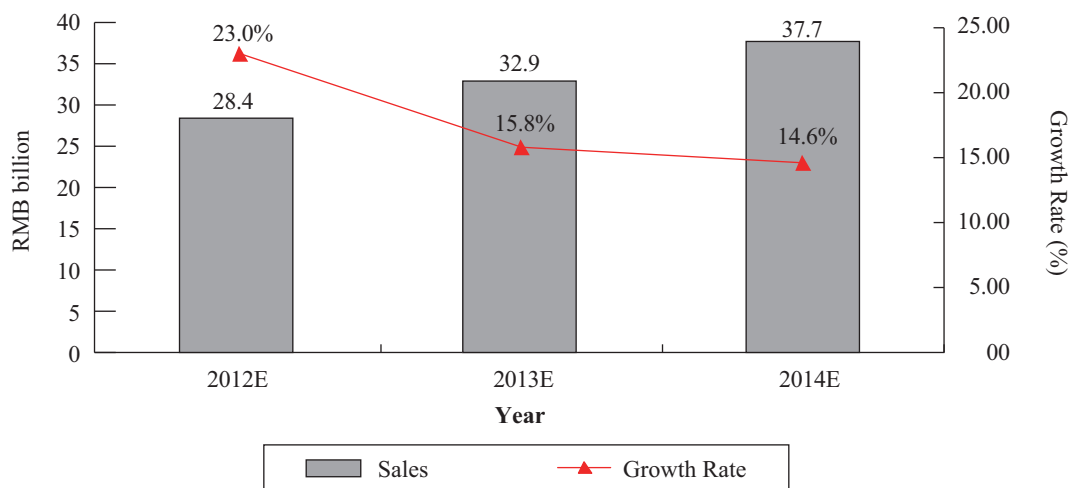
Source: CCID Report

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In the PRC, due to gradually increasing currency in circulation and continuous growth of the PRC economy, the demand for finance machines has experienced strong and steady growth. PRC Government policies concerning the research and development and upgrading of currency processing equipment has further driven the development of the finance machines market in the PRC. Total sales of the finance machine market in the PRC reached sales of RMB23.1 billion in 2011, which is an increase of 17.8% from the previous year.

In 2010, the gradual popularization of Metro Banks, Union Pay Standard Card Convenience Service Stations and other personal finance convenience services, has led financial institutions to focus more on the development and implementation of personal finance convenience services such as ATM machines and self-service terminal products. Sales of finance machines manufactured for the purpose of such financial clearing services has reached RMB12.9 billion in 2011, being approximately 55.7% of the total sales of the finance machines market in the PRC for such year. In 2011, the size of PRC finance machines market was approximately RMB23.1 billion, around half of which was dominated by the top 6 players.

2012-2014 PRC Finance Machines Market Size and Growth Forecast



Source: CCID Report

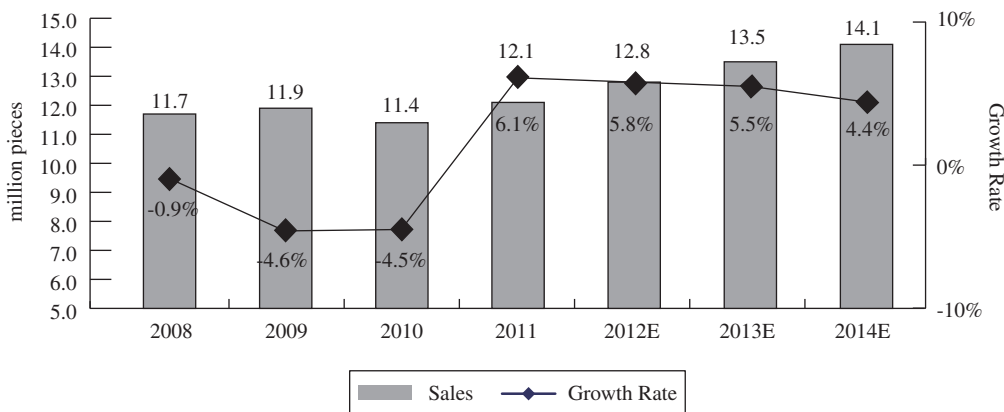
CCID expects the demand for financial clearing equipment will remain at a high level from 2012 through to 2014. However, growth in demand for ATM machines, self-service terminals and related equipment may decline as upgrades of such systems complete by 2013. The PRC's financial clearing equipment sales is expected to reach RMB37.7 billion by 2014.

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OVERVIEW OF THE OFFICE AUTOMATION MARKET

In 2011, the global office automation and printing supplies market size rebounded by 5.5% to reach US\$80.2 billion mainly attributable to the recovery in demand of all-in-one machines and printers. However, the office automation market in the PRC has improved as market demand began to stabilize in 2011 and CCID expects a slow but steady recovery in 2011 to 2013 as illustrated in the chart below.

2008-2014 PRC Office Automation Market Size and Growth



Source: CCID Report

Note: Printing supplies not included

According to the CCID Report, total sales of office automation and the printing supplies in the PRC in 2011 was RMB47.2 billion, which increased by 1.8% as compared to the previous year. Subsequently, in 2011, due to recovery in demand of all-in-one machines and photocopiers, total sales recovered by approximately 5.5%. Nonetheless, all-in-one machines and photocopiers sales have increased by 25.1% and 6.2% respectively for the same year. The increase in popularity of all-in-one machines is mainly a solution as well as result to the increased costs in purchasing separate machines.

INDUSTRY OVERVIEW

2009-2011 PRC Office Automation and Printing Supplies Market Sales Value and Growth

Product type	2009		2010			2011		
	Sales (RMB billion)	Market share (%)	Sales (RMB billion)	Market share (%)	Growth rate (%)	Sales (RMB billion)	Market share (%)	Growth rate (%)
Printer	9.64	19.6	8.94	19.3	-7.2	9.17	19.4	2.5
All-in-one machine	3.45	7.0	4.29	9.3	24.3	5.36	11.4	24.9
Photocopier	3.49	7.1	4.36	9.4	25.0	4.64	9.8	6.4
Fax machine	1.03	2.1	1.04	2.2	1.0	1.07	2.3	2.9
Scanner	0.35	0.7	0.32	0.7	-8.6	0.30	0.6	-6.3
Printing Supplies	31.23	63.5	27.41	59.1	-12.2	26.67	56.5	-2.7
TOTAL	49.19	100	46.36	100	-5.8	47.21	100	1.8

Source: CCID Report

For the Japanese office automation and printing supplies market, except for 6.1% and 8.1% respective growth in the sales of all-in-one machines and photocopier products, all other products experienced declines in sales in 2010 as compared to the previous year.

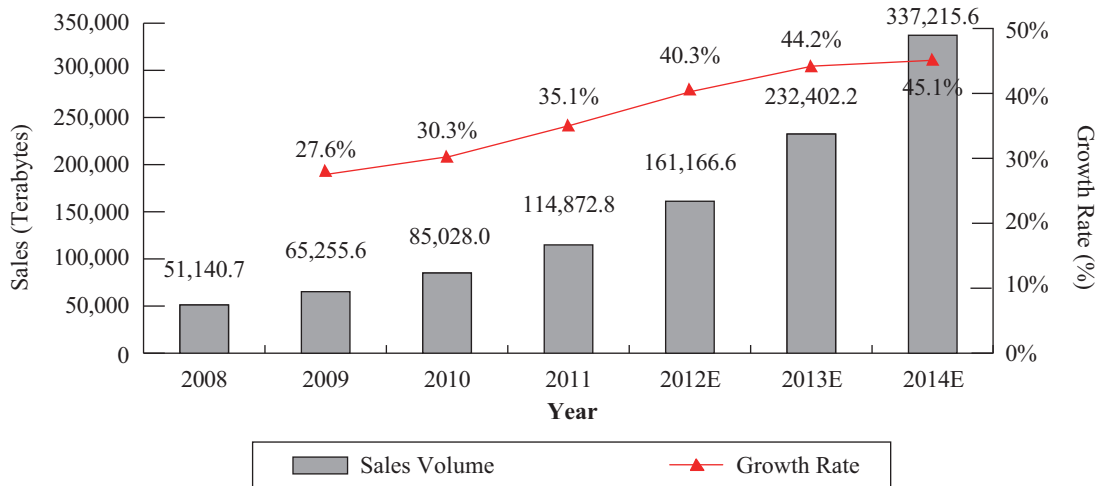
In 2011, sales volume of all-in-one machines to home users increased by 0.8% as compared to the previous year, reaching 487,000 units. Similar increase in sales volume of all-in-one machines to educational customers also observed an increase of 10.3% as compared to the previous year.

OVERVIEW OF THE NETWORK AND DATA STORAGE MARKET

According to the CCID Report, disk data storage systems include non-embedded server-type controller disk storage systems and network disk storage systems but not including storage management software and related services. Total shipment of PRC disk data storage systems reached 114,872 TB in 2011 representing 35.1% growth from the previous year, while total sales grew by 21.3% in 2011 to reach RMB10.37 billion. Demand for network and data storage products in the PRC benefited from the increased pace in development of information technology systems within sectors such as finance, telecommunications and government organizations.

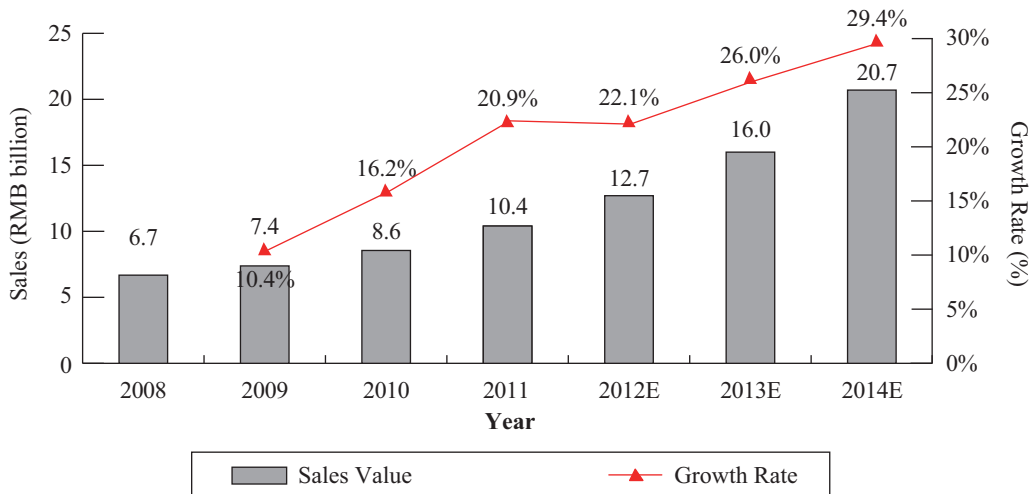
INDUSTRY OVERVIEW

2008-2014 PRC Disk Data Storage Systems Market Size and Growth



Source: CCID Report

2008-2014 PRC Disk Data Storage Systems Sales and Growth



Source: CCID Report

As shown in the charts above, PRC disk data storage systems market had been growing at an increasing rate in terms of sales volume and value over the past three years. CCID expects the market to grow further from 2012 to 2014 primarily in view of expected growth in GDP of the PRC, the PRC macroeconomic policies encouraging large scale investments, interest rates and currency trends and investments in fixed assets by state and municipal governments in the PRC.