You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements as at and for each of the years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2013 and the accompanying notes included in the accountants' report set out in Appendix I to this prospectus (the "Accountants' Report"). The Accountants' Report has been prepared in accordance with IFRS. Potential investors should read the Accountants' Report and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please see "Risk Factors" in this prospectus for more details.

OVERVIEW

We are a leading supplier of financial cards (in the form of magnetic strip cards or smart cards), card personalisation services and on-site card issuance system solutions in Greater China. According to the Frost & Sullivan Report, we are the only financial card manufacturer and the only card personalisation services provider in the PRC certified by all six of the leading worldwide payment card organisations (Visa, MasterCard, American Express, UnionPay, JCB and Diners Club). Prior to establishing our group, Chairman Lu, through GIHL, commenced providing financial cards to commercial bank since 1993. Our first subsidiary, Goldpac Secur-Card, was established in 1995 and was then held partially by GIHL, and after its establishment, commenced providing financial cards to commercial banks. Since the establishment of our Group, we have developed expertise in the business of card manufacturing and providing card production solutions relating to these products. According to Frost & Sullivan Report, in Greater China, we were the largest provider of financial cards in terms of sales value and the third largest in term of sales volume for the year ended 31 December 2012, and we were the largest card personalisation services provider in Greater China in terms of both sales value and sales volume for the year ended 31 December 2012. The financial card and card personalisation market segments in Greater China have experienced rapid growth in recent years, particularly in terms of sales value. According to the Frost & Sullivan Report, in Greater China, the total sales value of financial cards has grown from RMB665.2 million in 2008 to RMB2.4 billion in 2012, with a CAGR of 37.5%, while the total sales value of card personalisation services has grown from RMB56.3 million in 2008 to RMB281.6 million in 2012, with a CAGR of 49.5%.

We are principally engaged in providing secured solutions and services for financial institutions, government agencies and other organisations that issue financial cards. We deliver total solutions to our customers through a portfolio of products and services in three market segments: (i) manufacture and sales of magnetic strip cards and smart cards; (ii) provision of personalisation solutions services; and (iii) provision of on-site card issuance system solutions and related solutions services; and which accounted for 80.6%, 10.3% and 9.1% of our total turnover for the six months ended 30 June 2013. Our ability to provide products and services across these three complimentary segments, allows us to be a one stop shop for issuers of financial cards. Card issuers can fully outsource their card issuance functions to us by purchasing our full suite of products and services to assist them from initial planning and design of new card products to production all the way through personalisation and issuance of cards and final delivery to end users. Our customers can also purchase our products and services a la carte, depending on their needs.

We provide a complete range of card products to our customers, which are used for a variety of purposes such as financial cards (including debit cards, credit cards, charge cards and social insurance cards with financial functions), prepaid cards, public transportation cards and highway toll cards. While we manufacture and sell cards with both magnetic strip and smart card technologies, we are increasingly selling more and more smart cards due to the industry trend of smart card migration, which payment card organisations like Visa, MasterCard, American Express, UnionPay and JCB are promoting through the EMV standards body EMVCo. Smart card migration in the PRC is further promoted by government policies, such as The Opinions of the People's Bank of China to Promote Applications of Financial IC Cards* (中國人民銀行關於推進金融IC卡應用工作的意見) issued by PBOC on

11 March 2011 to officially set a nationwide timeline for migration to smart cards by 1 January 2015. Our personalisation services generally include a series of customised services involved in the design, packaging and distribution of financial cards. Our personalisation services involve the process of loading personal data or premium value applications onto the memory or microcontroller chips embedded in smart cards. We also emboss and print customised card bodies for our customers, and customise the associated packaging and card carriers used to deliver cards to end users. We are also a distributor in the PRC of on-site card issuance system solutions. Our solutions include central card issuance systems for high-volume industrial size card personalisation operations and desktop card issuance systems for rapid issuance at low volumes near where our end users are located, such as within bank branches. Our on-site card issuance system solutions include, among others, consulting and planning, provision of equipment, software customisation, equipment installation and training and after-sales service and repairs.

Within the PRC, we serve many of the leading national and regional state-owned and joint-stock commercial banks, as well as foreign banks. Our customer base has wide geographic coverage across the PRC. Within Greater China, we also serve a number of banks in Hong Kong and Macao, as well as banks outside of Greater China including banks in Vietnam, Mongolia and the Philippines. In terms of public sector customers, in the PRC we provide social insurance cards for a number of municipal jurisdictions, as well as cards for public transportation and toll facilities for transportation agencies in a number of cities and regions. We also provide cards for certain corporate and retail clients.

We have experienced rapid growth during the Track Record Period. Our turnover for the years ended 31 December 2010, 2011 and 2012, was RMB357.2 million, RMB444.3 million and RMB676.6 million, respectively, representing a CAGR of 37.6%, and for the six months ended 30 June 2012 and 2013, was RMB275.7 million and RMB540.4 million, respectively. Our profit after tax for the years ended 31 December 2010, 2011 and 2012, was RMB53.4 million, RMB48.1 million and RMB115.1 million, respectively, representing a CAGR of 46.8%, and for the six months ended 30 June 2012 and 2013, was RMB43.0 million and RMB81.1 million, respectively.

BASIS OF PRESENTATION

The financial information is presented in RMB, which is the same as the functional currency of our Company.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial conditions have been and will continue to be affected by a number of external factors, including the following:

Transformation in the financial card industry

The financial card industry in which we operate is undergoing a significant transformation from the widespread use of magnetic strip cards, which store data in a band of magnetic material on the card, to smart cards, which store data on IC chips with varying data storage capacity and sophisticated security features. Smart cards can also be differentiated into lower-end and higher-end types based on storage capacity and various levels of security features. This transformation is stimulated by the evolving governmental policies and regulations in the PRC which promote technological advances and their widespread application. For example, in March 2011, the PBOC issued The Opinions of the People's Bank of China to Promote Applications of Financial IC Cards* (《中國人民銀行關於推進金融IC卡應用工作的意見》), which proposes a timeline regarding the promotion of financial smart cards nationwide. It stipulates that (i) beginning on 1 January 2013, all POS and ATM terminals in the PRC will be upgraded and capable of accepting financial smart cards and every domestic commercial bank will be required to issue financial smart cards to their customers; and (ii) beginning in 1 January 2015, commercial banks located in the developed regions in the PRC or operating in certain key industries shall only issue financial smart cards for all of the RMB-denominated bank accounts. In addition, Hong Kong Monetary Authority announced in June 2011 that all financial cards issued in Hong Kong shall be upgraded to IC cards by the end of 2015. These favourable governmental policies created an environment where we can expand our smart card business to continue to maintain our market share against intense industry-wide competition. Therefore, these policies are likely to affect the overall demand for certain smart cards, which will impact our business, results of operations and profit margin.

Ability to meet customer demand and expand our product offerings

We believe our past success and future growth largely depends on our ability to meet customer demand and expand our product offerings. A large number of our customers are large financial institutions and government agencies, whose ability to issue financial cards and increase their use of outsourcing is vital for our business. For example, our magnetic strip and smart card business depends largely on the demand from our customers resulting from their need to issue new financial cards or replace lost or expired financial cards based on the growth of their business and their capacity to introduce new card issuance promotional programmes. We also provide both full or partial card fulfillment outsourcing solutions to our customers based on their business needs. As our customers increase their demand of financial cards and/or personalisation service, our ability to utilise new technologies and develop cutting-edge products becomes crucial to our ability to remain competitive vis-à-vis our competitors. See "Risk Factors — Risks Relating to Our Business — Our business relies on the growth of financial institutions and government agencies that issue financial cards and increases in their use of outsourcing, and any decrease in their growth or use of outsourcing may adversely affect our financial results."

In order to maintain our market position, we incurred in the past, and will incur in the future, substantial expenses to develop new products. The success of the development and manufacturing of our new products depends on our continued capital investment in research and development manufacturing equipment and facilities, the innovation, skill and experience of our research and development personnel, as well as our ability to anticipate technological and market trends accurately. See "Risk Factors — Risks Relating to Our Business — We may not be able to expand our offerings of products or services to effectively respond to changes in market trend and customer preferences."

Production capacity

To effectively adjust our manufacturing capability to the industry-wide shift towards smart cards and meet the growing customer demand, we must ensure that we have sufficient production capacity, which affects our turnover, in particular our turnover growth in the near future. For the years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2013, the utilisation rate of the production capacity of our magnetic strip cards was 98.4%, 98.1%, 94.5% and 80.5%, respectively and the utilisation rate of the production capacity our smart cards was 89.8%, 95.0%, 99.5% and 96.1%, respectively. In order to maintain our market share in the smart card segment, we will need additional production capacity to meet the increasing demand. Accordingly, we are in the process of expanding our production facilities in Zhuhai, Guangdong province, and Shanghai. We also plan to allocate 35.0% of the net proceeds of the Global Offering to upgrade and expand our existing production facilities and increase our production capacity. If any of our production facilities experience significant downtime, or production may not be able to produce sufficient products to meet the orders of our customers, which may negatively affect our turnover. Therefore, any prolonged or significant interruption to our expansion plan may adversely affect our business, financial condition and results of operations. See "Risk Factors — Risks Relating to Our Business — Our future operating results may depend on the results of expansion plan and our ability to maintain and improve efficiency and production at the existing manufacturing facilities."

Product mix and pricing

Our results of operations and financial conditions are impacted by our product mix and the pricing of our products. We currently have a diversified product portfolio consisting of, among others, magnetic strip cards and smart cards. In addition, we provide on-site card issuance system solutions to customers in order to supplement our magnetic strip card and smart card businesses. We also provide personalisation service, which generally has a higher gross profit margin than our other businesses due to the nature of the services segment. We intend to further improve our existing product and service offerings by focusing more on the latest technologies for smart cards. We aim to continue to adjust our product mix in an effort to expand our business and maintain our market position.

Pricing pressure in the industry has been substantial and is likely to continue. Our turnover and profitability are also affected by the pricing of our products, which is determined by factors such as prevailing market conditions, costs of design and production, material costs and prices determined by our customers and competitors for similar products. More importantly, we obtain customer orders through competitive and open tender processes, which limit our ability to set prices for our products at levels that reflect our market position. During the Track Record Period, we have been affected by the competitive market pressure that resulted in downward trend of our average unit price of our magnetic strip card and smart card products. For more details on our gross profit and gross profit margin of our businesses, see "— Principal Income Statement Components — Gross Profit and Gross Profit Margin" in this prospectus.

We face competition in the financial card industry and we are changing our focus to produce more smart cards to adapt to evolving industry trend. As we shift our focus to produce more smart cards, we rely heavily on the availability of IC chips, which are a major component. Different types of IC chips generally have different price levels as certain IC cards (such as certain bank cards and higher-end financial social insurance cards), which have large data storage capacity and/or more sophisticated security features, command higher prices. This results in smart cards having lower gross profit margin than our other products such as magnetic strip cards. The IC chips we utilised accounted for approximately 29.7%, 24.0%, 40.9%, 32.2% and 64.0%, respectively, of our total cost of manufacturing for the years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2012 and 2013.

We source a substantial amount of IC chips, PVC and on-site card issuance systems from a few of our suppliers. However, as we have not entered into any long-term supply agreements with these suppliers, any fluctuation in the price of IC chips, PVC and/or, on-site card issuance systems may materially and adversely affect our cost of goods sold and our profit margin. See "Risk Factors — Risks Relating to Our Business — Fluctuations in the market prices of IC chips and other production materials could adversely affect our profitability."

Competition

The financial card industry is highly competitive and is characterised by frequent introduction of new technologies and products, shorter life cycles for products and services, changing customer demand and needs and price sensitivity. We have limited ability to set price levels of our products in our target markets primarily due to the open and competitive tender processes required by a vast majority of our customers, which may materially and adversely affect our profit margins and our results of operations. We also compete with other financial card manufacturers and personalisation service providers. See "Risk Factors — Risks Relating to Our Industry — We face significant competition in each of the markets in which we operate, which could materially affect our profitability."

Economic growth and per capita disposable income in the PRC

We generate a significant portion of our turnover in the PRC. For years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2012 and 2013, turnover generated in the PRC constituted 86.7%, 89.5%, 89.0% and 91.0% and 94.2% of our total turnover, respectively. China has experienced significant economic growth in recent years. Economic growth in the PRC contributes to the increases in disposable income and consumer spending among its population, which, in turn, results in increased retail sales of social consumer goods and drive demand for credit cards, debit cards and reward and gift cards, among other things. In addition, economic development and increase in disposable income of urban residents tend to have a positive impact on the demand for magnetic strip and smart cards, according to the Frost & Sullivan Report. We believe that the growth of the PRC economy will play a positive role in the expansion of our end-customer base and contribute to the growth in our turnover and profit. However, any slowdown or decline in the PRC economy may adversely affect consumer demand in general and the demand for our products and services, and therefore, negatively affect our business and results of operations.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. We have also made certain accounting judgements and assumptions in the process of applying our accounting policies. When reviewing our consolidated financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgement and assumptions affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies which we believe are of significant importance to us or involve the most critical accounting judgement and estimates used in the preparation of our financial statements. Our significant accounting policies, judgement and estimates, which are important for an understanding of our financial condition and results of operations, are more detailed set forth in Note 3 in Section E of the Accountants' Report in Appendix I to this prospectus.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when there has been a transfer of risks and rewards to the customer, no further work or processing is required by our Group, the quantity and quality of the goods has been determined with reasonable accuracy and standard, the price is fixed or determinable, and collectability is reasonable assured. This is generally when title passes and the goods have been delivered to the designated locations for the sale of magnetic strip cards, smart cards and the related personalisation services. Revenue from the sales of on-site card issuance equipment and the related revenue from the provision of on-site card issuance system solutions are recognised when the equipment is delivered and the services are provided at the designated locations and after inspection of the equipment.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments in subsidiaries is recognised when the owners' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to our Company and the amount of revenue can be measured reliably).

Property, Plant and Equipment

Property, plant and equipment, other than construction in progress, are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Construction in progress includes property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight line method, at the following rates per annum:

Buildings	5%
Furniture, fixtures and equipment	20% – 33⅓%
Motor vehicles	10% – 20%
Plant and machinery	10%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Research and Development Expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Impairment Losses on Tangible Assets

At the end of each period during the Track Record Period, our Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, our Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Government Grants

Government grants are not recognised until there is reasonable assurance that our Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as deferred income and are released to profit or loss over the useful life of the assets. Grants related to expense items are recognised at the same period as those expenses are charged in the profit or loss and are reported separately as other income.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before taxation as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are not taxable or deductible. Our Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each period during the Track Record Period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each period during the Track Record Period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each period during the Track Record Period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which our Group expects, at the end of each period during the Track Record Period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss.

RESULTS OF OPERATIONS

The following table sets forth selected items of our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Turnover	357,156	444,255	676,609	275,735	540,373
Cost of goods sold	(230,081)	(298,255)	(473,221)	(184,171)	(384,463)
Gross profit	127,075	146,000	203,388	91,564	155,910
Other income, expenses, gains or losses	4,245	2,732	12,192	5,997	(2,876)
(Loss) gain on fair value changes of derivative financial instruments	—	(13,058)	13,058	(3,692)	—
Research and development costs	(20,595)	(23,605)	(28,548)	(11,327)	(19,457)
Selling and distributions costs	(35,118)	(40,640)	(41,540)	(18,130)	(25,158)
Administrative expenses	(6,536)	(8,253)	(13,783)	(5,824)	(6,417)
Finance costs	—	(1,153)	(6,819)	(5,565)	(548)
Profit before taxation	69,071	62,023	137,948	53,023	101,454
Taxation	(15,655)	(13,941)	(22,835)	(9,977)	(20,329)
Profit for the year/period	**53,416**	**48,082**	**115,113**	**43,046**	**81,125**

PRINCIPAL INCOME STATEMENT COMPONENTS

Turnover

We derive our turnover primarily from the manufacture and sales of magnetic strip cards and smart cards, the provision of personalisation solution services and the provision of on-site card issuance system solutions. Turnover is net of returns, discounts and sales taxes.

The table below sets forth our turnover by product category for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Sales of										
Magnetic strip cards and smart cards	274,753	76.9	311,878	70.2	499,227	73.8	187,877	68.1	435,763	80.6
Personalisation service	52,924	14.8	69,950	15.7	81,859	12.1	37,954	13.8	55,660	10.3
On-site card issuance system solutions	29,479	8.3	62,427	14.1	95,523	14.1	49,904	18.1	48,950	9.1
Total	**357,156**	**100.0**	**444,255**	**100.0**	**676,609**	**100.0**	**275,735**	**100.0**	**540,373**	**100.0**

Sales of magnetic strip cards and smart cards were the most substantial contributors to our total turnover, accounting for approximately 76.9%, 70.2%, 73.8%, 68.1% and 80.6%, respectively, of our turnover for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013. The sales of our products during the Track Record Period were not affected by seasonality but depend on the demand from our customers resulting from their need to issue new financial cards or replace lost or expired financial cards and their need to introduce new card issuance promotional programmes.

During the Track Record Period, most of our products were sold within the PRC, and the remainder of our sales were made principally in Hong Kong and Macao, the Philippines and Mongolia. The following table sets forth our turnover by geographical market, based on the location of operations of our customers for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
Location	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
PRC	309,825	86.7	397,430	89.5	602,234	89.0	250,995	91.1	508,779	94.2
Hong Kong and Macao	42,950	12.0	37,710	8.5	64,259	9.4	19,117	6.9	29,275	5.4
Philippines	2,766	0.8	6,353	1.4	6,436	1.0	3,325	1.2	1,610	0.3
Mongolia	632	0.2	1,671	0.4	1,827	0.3	646	0.2	509	0.1
Other countries	983	0.3	1,091	0.2	1,853	0.3	1,652	0.6	200	0.0
Total	**357,156**	**100.0**	**444,255**	**100.0**	**676,609**	**100.0**	**275,735**	**100.0**	**540,373**	**100.0**

Cost of Goods Sold

Our cost of goods sold consists of raw materials costs, direct labour costs and manufacturing overhead. The following table sets forth a breakdown of our costs of goods sold for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000 (unaudited)*	*%*	*RMB'000*	*%*
Material costs	159,501	69.8	222,560	70.7	394,977	78.5	129,852	72.0	355,376	85.7
IC chips	67,971	29.7	75,652	24.0	205,670	40.9	58,012	32.2	265,440	64.0
On-site card issuance systems	17,839	7.8	38,849	12.3	60,843	12.1	32,221	17.9	26,547	6.4
PVC	26,592	11.6	28,790	9.1	32,611	6.5	14,440	8.0	12,536	3.0
Holograms	11,288	4.9	16,055	5.1	20,927	4.2	10,266	5.7	6,096	1.5
Overlay	12,005	5.3	11,301	3.6	12,118	2.4	5,168	2.9	5,710	1.4
Other materials[(1)]	23,806	10.4	51,913	16.5	62,808	12.5	9,745	5.4	39,047	9.4
Labour	32,158	14.1	46,243	14.7	56,252	11.2	27,525	15.3	31,665	7.6
Others	36,932	16.1	46,091	14.6	52,041	10.3	22,969	12.7	27,557	6.7
Total cost of manufacturing	228,591	100.0	314,894	100.0	503,270	100.0	180,346	100.0	414,598	100.0
Inventory movement[(2)]	1,490		(16,639)		(30,049)		3,825		(30,135)	
Total cost of goods sold	**230,081**		**298,255**		**473,221**		**184,171**		**384,463**	

Notes:

(1) Includes signature panels of the payment card organisations, hot stamping foil, dye and various personalisation materials, such as print ribbons, topping foil and envelopes.

(2) Inventory movement means work-in-progress and finished goods as at the beginning of the year/period less work-in-progress and finished goods as at the end of the year/period.

A major portion of the material costs include IC chips, for use in the production of smart cards, and PVC, for use in the production of magnetic strip cards and smart cards. We also purchase the components and equipment necessary for the provision of our solutions service from PRC, Europe and the USA. During the Track Record Period, the cost for IC chips increased substantially from RMB68.0 million for the year ended 31 December 2010 to RMB205.7 million for the year ended 31 December 2012, and from RMB58.0 million for the six months ended 30 June 2012 to RMB265.4 million for the six months ended 30 June 2013, primarily as a result of the shift in our focus to produce more smart cards in response to the evolving market trend facilitated by the changing government policies in the PRC and Hong Kong promoting the migration towards smart cards. The current product mix of our smart cards means that we need greater supplies of certain types of IC chips used for certain bank cards and higher-end financial social insurance cards, which command higher purchase prices as we continue to replace the production of older smart card products and upgrade our financial social insurance cards. Labour primarily consists of salaries and benefits of employees in our production operations. Others mainly comprise indirect labour (representing primarily staff costs for our production management team), fuel, electricity, depreciation of plant and equipment and cost of ink.

The following table sets forth a breakdown of our cost of goods sold by segment for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000 (unaudited)*	*%*	*RMB'000*	*%*
Magnetic strip cards and smart cards	191,580	83.3	227,005	76.1	373,241	78.9	134,953	73.3	329,769	85.8
Personalisation service	20,662	9.0	32,401	10.9	39,137	8.3	16,997	9.2	28,147	7.3
On-site card issuance system solutions	17,839	7.7	38,849	13.0	60,843	12.8	32,221	17.5	26,547	6.9
Total Cost of Goods Sold	**230,081**	**100.0**	**298,255**	**100.0**	**473,221**	**100.0**	**184,171**	**100.0**	**384,463**	**100.0**

Gross Profit and Gross Profit Margin

For the years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2012 and 2013, our gross profit was approximately RMB127.1 million, RMB146.0 million, RMB203.4 million and RMB91.6 million and RMB155.9 million, respectively, and our gross profit margin was 35.6%, 32.9%, 30.1% and 33.2% and 28.9%, respectively, for the same periods. The table below sets forth our gross profit and gross profit margin by product category for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	Gross Profit	Margin	Gross Profit	Margin	Gross Profit	Margin	Gross Profit	Margin	Gross Profit	Margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000 (unaudited)*	*%*	*RMB'000*	*%*
Magnetic strip cards and smart cards	83,173	30.3	84,873	27.2	125,986	25.2	52,924	28.2	105,994	24.3
Personalisation service	32,262	61.0	37,549	53.7	42,722	52.2	20,957	55.2	27,513	49.4
On-site card issuance system solutions	11,640	39.5	23,578	37.8	34,680	36.3	17,683	35.4	22,403	45.8
Total	**127,075**	**35.6**	**146,000**	**32.9**	**203,388**	**30.1**	**91,564**	**33.2**	**155,910**	**28.9**

The decrease in our overall gross profit margin was mainly attributable to a decrease of gross profit margin for our magnetic strip cards and smart cards as well as personalisation service segments. The gross profit margin for our magnetic strip cards and smart cards business decreased mainly because we shifted our focus to produce more smart cards in response to the evolving market trend, which increased our total cost of goods sold since certain IC chips used for certain bank cards and higher-end financial social insurance cards that are needed for the production of a bulk of our smart cards commanded higher prices. This, together with the open tender processes we participate in with our competitors, create competitive pricing pressure on our products, which limited our ability to raise the price of our smart cards to the same extent in order to match the increase in the cost of goods sold for such products during the Track Record Period. For example, the average selling price of our magnetic strip cards and smart cards increased approximately 70.1% during the period from the year ended 31 December 2010 to the year ended 31 December 2012, whereas their average cost of goods sold increased approximately 83.2% during the same period. Similarly, the average selling price of our magnetic strip cards and smart cards increased approximately 120.1% during the period from the six months ended 30 June 2012 to the six months ended 30 June 2013, while their average cost of goods sold increased approximately 132.6% during the same period.

In addition, with respect to our personalisation service, the gross profit margin decreased from the year ended 31 December 2010 to the year ended 31 December 2012 primarily due to a decrease of approximately 15.0% in average selling price, whereas the average cost of goods sold remained stable during the same period. Average selling price for our personalisation service decreased during this period primarily as a result of increased competition in the open tender processes, which limited our ability to adjust the price of our personalisation services. The trend continued in the six months ended 30 June 2013 primarily due to the shift in our focus to provide more smart card related personalisation service, which commanded higher average selling price but also a higher cost of goods sold than our personalisation service for magnetic strip cards.

For illustrative purposes only, the following table illustrates the sensitivity of the changes in our gross profit for each of the periods indicated in the event that the costs of each of our major raw materials (taking into account movement in inventory), namely IC chips, PVC and on-site card issuance systems, increased by approximately 10%. For further details of hypothetical fluctuations in the price of our major raw materials, please refer to the section headed "— Factors Affecting Our Results of Operations — Product mix and pricing" in this prospectus.

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	RMB'000 (unaudited)	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
(Decrease) in gross profit for the year/period due to a increase in the cost of IC Chips by approximately 10%	(6,797)	(7,565)	(20,567)	(26,544)
(Decrease) in gross profit for the year/period due to a increase in the cost of PVC by approximately 10%	(2,659)	(2,879)	(3,261)	(1,254)
(Decrease) in gross profit for the year/period due to a increase in the cost of on-site card issuance systems by approximately 10%	(1,784)	(3,885)	(6,084)	(2,655)

There would be an equal and opposite impact on our gross profit for the year/period where the costs of each of our major raw materials decreased by approximately 10%. For further details on hypothetical fluctuations in the price of our major raw materials, please refer to the section headed "— Factors Affecting Our Results of Operations — Product mix and pricing" in this prospectus.

For illustrative purposes only, the following table illustrates the sensitivity of the changes in our gross profit for the years/period indicated in the event that the average selling price of each of our major products and services increased by approximately 10%.

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	RMB'000 (unaudited)	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Increase in gross profit for the year/period due to an increase in the average selling price of magnetic strip cards and smart cards by approximately 10%	27,475	31,188	49,923	43,576
Increase in gross profit for the year/period due to an increase in the average selling price of personalisation service by approximately 10%	5,292	6,995	8,186	5,566
Increase in gross profit for the year/period due to an increase in the average selling price of on-site card issuance system solutions by approximately 10%	2,948	6,243	9,552	4,895

There would be an equal and opposite impact on our gross profit for the year/period where the selling price of each respective products decreased by approximately 10%. We used 10% for these sensitivity analyses based on our assessment of the reasonably possible change of the cost of goods sold for key raw materials and average selling price of our products during the Track Record Period and our belief that it is sufficiently significant for these analyses to be meaningful.

Other Income, Expenses, Gains or Losses

Other income, expenses, gains or losses primarily consist of interest income from bank deposits, investment income from other financial assets, government grants, net foreign exchange gain and (allowance for)/reversal of doubtful debts, listing expenses and value-added tax refund. Government grants represent cash incentives provided by local government in relation to technical know-how on the development of smart cards and solution services and the amounts of these subsidies are subject to the government's discretion. Net exchange gain recorded were resulting from the appreciation of the RMB against foreign currencies. Value-added tax refund represents a tax refund we received from the PRC government relating to the sale of self-developed software in accordance with the existing PRC tax regulations. For the years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2012 and 2013, our other income, expenses, gains or losses was RMB4.2 million, RMB2.7 million, RMB12.2 million and RMB6.0 million and RMB(2.9 million), respectively. During the Track Record Period, the investment income we received from other financial assets ranged from RMB1.1 million to RMB3.3 million. For demonstration purposes, the yield of the investments in other financial assets (as calculated by using the investment income from other financial assets for the year/period divided by the average of the opening and closing balances of the carrying amount of other financial assets for the year/period) was 1.1%, 1.4%, 0.8% and 2.3% for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively, which was higher than the non-fixed savings deposit rate as announced by the PBOC during the Track Record Period. As the holding period of the other financial assets was relatively short, and because we usually have relatively high level of surplus cash around year end due to our customers usually settling outstanding balances with us at or around that time, the actual average balance we placed in the other financial assets during the year/period would be less than the average of the opening and closing balances of the carrying amount of other financial assets for the year/period, and therefore, the actual yield of the other financial assets would be higher. The following table sets forth a breakdown of our other income, gains or losses for the periods indicated:

	Year ended 31 December			**Six months ended 30 June**	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000*** ***(unaudited)***	***RMB'000***
(Allowance for) reversal of doubtful debts					
— trade receivables	(49)	(633)	(571)	(571)	(9,200)
— other receivables	3	(1,257)	(97)	—	(4)
— amount due from a related company	—	(264)	—	—	—
Listing expenses	—	—	—	—	(3,890)
Loss on disposal of property, plant and equipment	(34)	(101)	(734)	—	—
Government grants	1,661	12	2,172	100	300
Interest income	185	860	5,670	4,678	200
Investment income from other financial assets	1,143	1,336	1,164	1,064	3,268
Net exchange gain	950	2,622	2,432	168	2,534
Value-added tax refund	—	—	914	—	3,282
Others	386	157	1,242	558	634
Total other income, expenses, gains or losses	**4,245**	**2,732**	**12,192**	**5,997**	**(2,876)**

(Loss) Gain on Fair Value Changes of Derivative Financial Instruments

(Loss) gain on fair value changes of derivative financial instruments mainly includes foreign currency forward contracts, which we utilise to limit our foreign currency exchange risk exposure arising from our repayment of short-term foreign currency denominated bank loans in 2012. Please see "— Description of Selected Consolidated Statements of Financial Positions Items — Derivative Financial Instruments" in this prospectus for more information.

Research and Development Costs

Research and development costs mainly include salaries and benefits of the technical staff, research and development materials and expenses relating to the attendance of conferences and seminars by our research and development personnel. Expenditure on research activities is generally recognised as an expense in the period in which it is incurred. According to the accounting policies of our Group, research and development costs will not be capitalised unless and until all of the capitalisation criteria specified in International Accounting Standards 38 "Intangible Assets" can be demonstrated by the applicant. Such demonstration can only take place during the later stage of the entire research and development process. Our Directors considered that the related costs incurred after such demonstration were immaterial. Accordingly, no research and development expenses were capitalised during the Track Record Period.

Selling and Distribution Costs

Selling and distribution costs primarily consist of staff salaries and benefits of sales and marketing personnel, freight and shipping, office and utilities, travel and marketing and promotion. For the years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2012 and 2013, our selling and distribution costs were approximately RMB35.1 million, RMB40.6 million, RMB41.5 million and RMB18.1 million and RMB25.2 million, respectively.

The following table sets forth a breakdown of our selling and distribution costs for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000 (unaudited)*	*%*	*RMB'000*	*%*
Staff salaries and benefits	8,223	23.4	11,619	28.6	11,764	28.3	6,001	33.1	6,665	26.5
Freight and shipping	7,998	22.8	8,576	21.1	7,848	18.9	3,460	19.1	3,766	15.0
Office and utilities	4,955	14.1	5,189	12.8	6,140	14.8	2,633	14.5	4,516	18.0
Travel	3,979	11.3	5,046	12.4	5,662	13.6	1,776	9.8	3,813	15.1
Marketing and promotion	5,362	15.3	4,844	11.9	4,927	11.9	2,087	11.5	2,347	9.3
Professional fees(1)	1,093	3.1	1,444	3.6	2,081	5.0	153	0.9	1,679	6.7
Others(2)	3,508	10.0	3,922	9.6	3,118	7.5	2,020	11.1	2,372	9.4
Total selling and distribution costs	**35,118**	**100.0**	**40,640**	**100.0**	**41,540**	**100.0**	**18,130**	**100.0**	**25,158**	**100.0**

Notes:

(1) Primarily consisted of fees paid to consultants we engaged with respect to our sales and marketing campaigns.

(2) Others mainly include expenses for rental, depreciation and amortisation, communication and repair and maintenance.

For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, our selling and distribution costs represented 9.8%, 9.1%, 6.1% and 6.6% and 4.7%, respectively, of our turnover.

Administrative Expenses

Our administrative expenses primarily consist of staff salaries and benefits for administrative personnel, depreciation and amortisation, office and utilities and travel expenses. For the years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2012 and 2013, our administrative expenses were RMB6.5 million, RMB8.3 million, RMB13.8 million and RMB5.8 million and RMB6.4 million, respectively.

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000 (unaudited)*	*%*	*RMB'000*	*%*
Staff salaries and benefits	2,483	38.0	2,864	34.7	5,333	38.7	2,574	44.2	2,607	40.6
Depreciation and amortisation	1,574	24.1	1,631	19.7	1,861	13.5	802	13.8	700	10.9
Office and utilities	384	5.9	610	7.4	1,387	10.1	466	8.0	661	10.3
Travel	315	4.8	712	8.6	1,081	7.9	406	7.0	431	6.7
Audit and professional fees	266	4.1	531	6.4	1,047	7.6	111	1.9	372	5.8
Postage and communication	448	6.9	553	6.7	777	5.6	269	4.6	202	3.1
Tax and duties	700	10.6	690	8.4	747	5.4	498	8.6	680	10.6
Repair and maintenance	11	0.2	30	0.4	635	4.6	275	4.7	129	2.0
Others[(1)]	355	5.4	632	7.7	915	6.6	423	7.2	636	10.0
Total administrative expenses	**6,536**	**100.0**	**8,253**	**100.0**	**13,783**	**100.0**	**5,824**	**100.0**	**6,417**	**100.0**

Note:

(1) Others mainly include costs relating to insurance, bank charges and IT expenses.

For the years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2012 and 2013, our administrative expenses represented 1.8%, 1.9%, 2.0% and 2.1% and 1.2%, respectively, of our turnover. For the years ended 31 December 2010, 2011 and 2012, we incurred auditors' remuneration of RMB63,000, RMB79,000 and RMB64,000, respectively, which were included in our audit and professional fees charged under our administrative expenses. For the six months ended 30 June 2013, we incurred auditors' remuneration of RMB619,000, which were included as part of our listing expenses charged under our other income, expenses, gain or losses for the same period. The significant increase in our auditors' remuneration for the six months ended 30 June 2013 was primarily because our Company engaged a reputable international public accounting firm in connection with the Listing.

Finance Costs

Our finance costs primarily consist of interest on bank borrowings. In the year ended 31 December 2012, our finance costs also included a minimal interest on a loan from a related company in the amount of approximately RMB4,000. Our finance costs were nil, RMB1.2 million, RMB6.8 million and RMB5.6 million and RMB0.5 million for the years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2012 and 2013, respectively.

Taxation

Taxation consists of current tax and deferred income tax by our Group. The following table sets forth a breakdown of our taxation expenses for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
PRC Enterprise Income Tax	7,696	9,298	15,226	7,061	14,854
Under (over) provision of EIT in prior years/periods	4,060	679	691	36	(10)
PRC withholding tax on dividend distribution	—	7,523	2,211	2,211	—
Hong Kong profits tax	2,512	1,500	3,754	1,342	1,901
Deferred taxation	1,387	(5,059)	953	(673)	3,584
Total tax charge for the year	**15,655**	**13,941**	**22,835**	**9,977**	**20,329**

Current tax primarily consists of PRC corporate income tax payable by our PRC subsidiaries arising from sales in Hong Kong and the PRC and Hong Kong profits tax payable by our Hong Kong subsidiaries, respectively. Deferred tax comprises mainly movement in deferred tax assets on recognised deductible temporary differences arising from accrued expenses, prepayments and unrealised profits in inventories and withholding tax payable on undistributed profits of our PRC subsidiaries.

Under Hong Kong law, our subsidiaries in Hong Kong are subject to Hong Kong income tax at the statutory Hong Kong corporate income tax rate of 16.5%.

Under the EIT, our subsidiaries in the PRC are subject to PRC income tax at the statutory PRC corporate income tax rate of 25%, except that Goldpac Secur-Card was officially endorsed as a High-New Technology Enterprise from 1 January 2008 to 31 December 2013 and is entitled to a preferential tax rate of 15% during this period. We first obtained High-New Technology Enterprises status in 2006 and it successfully renewed it in 2008. We believe that we have been able to obtain and renew this status in the past due to recognition of our strong research and development capabilities, as evidenced by various awards and recognitions, see "Business — Awards and Accreditations". Goldpac Secur-Card is expected to apply for extension of our High-New Technology Enterprise status during the second half of 2013. Our Directors confirmed that to the extent of their knowledge there are no circumstances that may prevent Goldpac Secur-Card from obtaining an extension of this status. As confirmed by our PRC legal advisers, Commerce & Finance Law Offices, to the extent of its best knowledge, there is no material legal impediment to Goldpac Secur-Card's obtaining an extension of its High and New Technology Enterprise status.

Our income tax expenses for the years ended 31 December 2010, 2011 and 2012 and for six months ended 30 June 2012 and 2013 were RMB15.7 million, RMB13.9 million, RMB22.8 million and RMB10.0 million and RMB20.3 million, respectively. Our effective tax rates for the years ended 31 December 2010, 2011 and 2012 and for six months ended 30 June 2012 and 2013 were 22.7%, 22.5%, 16.6% and 18.9% and 20.0%, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended 30 June 2013 compared with six months ended 30 June 2012

Turnover

Our turnover increased by RMB264.7 million, or 96.0%, from RMB275.7 million for the six months ended 30 June 2012 to RMB540.4 million for the six months ended 30 June 2013. This increase was primarily as a result of increased sales of magnetic strip-cards and smart cards, which increased from RMB187.9 million for the six months ended 30 June 2012 to RMB435.8 million for the six months ended 30 June 2013, and increased sales of personalisation service, which increased from RMB38.0 million for the six months ended 30 June 2012 to RMB55.7 million for the six months ended 30 June 2013, both mainly due to the increase in sales of smart cards in response to the increased demand from our customers during the first half of 2013 primarily as a result of the financial card industry continuing to adjust to the PRC and Hong Kong government policies promoting the migration towards smart cards. Our turnover from on-site card issuance system solutions amounted to RMB49.0 million for the six months ended 30 June 2013 and is comparable to the corresponding period in 2012.

Cost of goods sold

Our cost of goods sold increased by RMB200.3 million, or 108.7%, from RMB184.2 million for the six months ended 30 June 2012 to RMB384.5 million for the six months ended 30 June 2013. This increase was primarily as a result of increased sales of smart cards. In particular, our material costs incurred during the period increased from RMB129.9 million for the six months ended 30 June 2012 to RMB355.9 million for the six months ended 30 June 2013, or 174.0%, primarily due to an increase in the total cost of IC chips used for the production of our smart cards in response to an increase in the demand. Labour cost incurred increased from RMB27.5 million for the six months ended 30 June 2012 to RMB31.7 million for the six months ended 30 June 2013, or 15.3%, primarily due to an increase in the number of our production personnel from 808 to 963 in order to meet the increasing customer demand of our smart cards. Others increased from RMB23.0 million for the six months ended 30 June 2012 to RMB27.6 million for the six months ended 30 June 2013, or 20.0%, primarily due to an increase in office rental expenses and packaging material cost during the period.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB64.3 million, or 70.2%, from RMB91.6 million for the six months ended 30 June 2012 to RMB155.9 million for the six months ended 30 June 2013. Our gross profit margin decreased from 33.2% for the six months ended 30 June 2012 to 28.9% for the six months ended 30 June 2013, primarily due to continued change of our product mix following the accelerated migration to the use of smart cards by our customers and the intense competition we faced in the open tender processes in order for us to maintain our market position in the financial card industry, which limited our ability to raise the prices of certain our products to the same extent in order to match the increase in cost of goods sold for such products.

Other income, expenses, gains or losses

Our other income, expenses, gains or losses decreased by RMB8.9 million from a net gain of RMB6.0 million for the six months ended 30 June 2012 to a net loss of RMB2.9 million for the six months ended 30 June 2013. This decrease was primarily as a result of (i) increased allowance for doubtful debts for trade receivables, which increased from RMB0.6 million for the six months ended 30 June 2012 to RMB9.2 million for the six months ended 30 June 2013 primarily due to our expectation of longer recovery period for outstanding amounts of receivable by us from our customers as we increased the sales of our products and services, (ii) decreased interest income, which decreased from RMB4.7 million for the six months ended 30 June 2012 to RMB200,000 for the six months ended 30 June 2013 mainly due to the redemption of pledged bank deposits, and (iii) RMB3.9 million in listing expenses incurred in the first half of 2013; partially offset by (i) an increase in investment income from other financial assets, which increased from RMB1.1 million for the six months ended 30 June 2012 to RMB3.3 million for the six months ended 30 June 2013, (ii) an increase in net exchange gain from RMB168,000 for the six months ended 30 June 2012 to RMB2.5 million for the six months ended 30 June 2013 as a result of appreciation of RMB against foreign currencies, and (iii) a value-added tax refund of RMB3.3 million, which consisted of a tax refund we received from the PRC government relating to the sale of self-developed software in accordance with the existing PRC tax regulations. Value-added tax refund increased substantially for the six months ended 30 June 2013 primarily due to the expansion of our smart card business beginning in 2012, which resulted in increased value-added tax payments in 2012 and thus, higher value-added tax refund issued by the relevant PRC tax authority in 2013. As advised by our PRC legal advisers, Commerce and Finance Law Offices, the PRC value-added tax reform would only have impact on non-value-added tax payers who used to pay business tax for certain services provided, such as transportation and IT. Because we are a value-added tax payer during the Track Record Period, we did not experience any impact of the PRC value-added tax reform on our business and financial position.

Research and development costs

Our research and development costs increased by RMB8.2 million, or 72.6%, from RMB11.3 million for the six months ended 30 June 2012 to RMB19.5 million for the six months ended 30 June 2013. This increase was primarily as a result of an increase in the headcount of research and development personnel we employed from 213 persons for the six months ended 30 June 2012 to 262 persons for the six months ended 30 June 2013 as we focused on the development of the technologies associated with smart cards and an increase in their salaries and wages for the six months ended 30 June 2013.

Selling and distribution costs

Our selling and distribution costs increased by RMB7.1 million, or 39.2%, from RMB18.1 million for the six months ended 30 June 2012 to RMB25.2 million for the six months ended 30 June 2013. This increase was primarily as a result of (i) an increase in office utilities primarily due to increased expenses as a result of a new office being opened in the first half of 2013, (ii) an increase in staff salaries and benefits due to an increase in headcount of sales and marketing personnel from 56 as at 30 June 2012 to 63 as at 30 June 2013 and (iii) an increase in travel expenses of our sales and marketing personnel as a result of our enhanced sales and marketing activities.

Administrative expenses

Administrative expenses increased by RMB0.6 million, or 10.3%, from RMB5.8 million for the six months ended 30 June 2012 to RMB6.4 million for the six months ended 30 June 2013. This increase was primarily due to our increased administrative business activities following the expansion of our business.

Finance costs

Our finance costs decreased significantly by RMB5.1 million, or 91.1%, from RMB5.6 million for the six months ended 30 June 2012 to RMB0.5 million for the six months ended 30 June 2013 primarily due to the decrease in bank loans after the repayment of short-term foreign currency denominated bank loans in 2012.

Taxation

Our taxation increased by RMB10.3 million, or 103.0%, from RMB10.0 million for the six months ended 30 June 2012 to RMB20.3 million for the six months ended 30 June 2013, in line with the increase in our turnover for the six months ended 30 June 2013. The effective tax rate increased slightly from 18.8% for the six months ended 30 June 2012 to 20.0% for the six months ended 30 June 2013.

Profit for the period

As a result of the foregoing, our profit for the period increased by RMB38.1 million, or 88.6%, from RMB43.0 million for the six months ended 30 June 2012 to RMB81.1 million for the six months ended 30 June 2013.

Year ended 31 December 2012 compared with year ended 31 December 2011

Turnover

Our turnover increased by RMB232.3 million, or 52.3%, from RMB444.3 million for the year ended 31 December 2011 to RMB676.6 million for the year ended 31 December 2012. This increase was primarily as a result of (i) increased sales of magnetic strip-cards and smart cards, which increased from RMB311.9 million for the year ended 31 December 2011 to RMB499.2 million for the year ended 31 December 2012, and increased sales of personalisation service, which increased from RMB70.0 million for the year ended 31 December 2011 to RMB81.9 million for the year ended 31 December 2012, both mainly due to the increase in sales of smart cards in response to the increased demand from our customers during 2012 primarily as a result of the PRC and Hong Kong government policies promoting the migration towards smart cards; and (ii) increased sales of on-site card issuance system solutions, which increased from RMB62.4 million for the year ended 31 December 2011 to RMB95.5 million for the year ended 31 December 2012, mainly due to the increased demand of on-site smart card issuance system solutions for more competitive service to end-customers.

Cost of goods sold

Our cost of goods sold increased by RMB174.9 million, or 58.6%, from RMB298.3 million for the year ended 31 December 2011 to RMB473.2 million for the year ended 31 December 2012. This increase was primarily as a result of increased sales of smart cards. In particular, our material costs incurred during the year increased from RMB222.6 million for the year ended 31 December 2011 to RMB395.0 million for the year ended 31 December 2012, or 77.4%, primarily due to an increase in cost of IC chips used for the production of our smart cards in response to an increase in the demand. Labour cost incurred increased from RMB46.2 million for the year ended 31 December 2011 to RMB56.3 million for the year ended 31 December 2012, or 21.9%, primarily due to an increase in the number of our production personnel from 829 as at 31 December 2011 to 886 as at 31 December 2012 in order to meet the increasing customer demand of our magnetic strip and smart cards. Others increased from RMB46.1 million for the year ended 31 December 2011 to RMB52.0 million for the year ended 31 December 2012, or 12.8%, primarily as a result of staff costs for our production management team, utilities and cost of ink relating to the production of our magnetic strip and smart cards.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB57.4 million, or 39.3%, from RMB146.0 million for the year ended 31 December 2011 to RMB203.4 million for the year ended 31 December 2012. Our gross profit margin decreased from 32.9% in 2011 to 30.1% in 2012, primarily due to change of product mix following the accelerated migration to the use of smart cards by our customers and the intense competition we faced in the open tender processes in order for us to maintain our market position in the financial card industry, which limited our ability to raise the prices of certain of our products to the same extent in order to match the increase in the cost of goods sold for such products.

Other income, expenses, gains or losses

Our other income, expenses, gains or losses increased by RMB9.5 million from a gain of RMB2.7 million for the year ended 31 December 2011 to a gain of RMB12.2 million for the year ended 31 December 2012. This increase was primarily as a result of (i) increased interest income generated from interest bearing pledged bank deposits made in 2011 that matured in 2012, which increased from RMB0.9 million for the year ended 31 December 2011 to RMB5.7 million for the year ended 31 December 2012, (ii) increased government grants, which increased from RMB12,000 for the year ended 31 December 2011 to RMB2.2 million for the year ended 31 December 2012 mainly due to increased grants relating to research and development initiatives, and (iii) an increase in other income because we leased an office space we own to Zhuhai Municipal Post Office.

Research and development costs

Our research and development costs increased by RMB4.9 million, or 20.8%, from RMB23.6 million for the year ended 31 December 2011 to RMB28.5 million for the year ended 31 December 2012. This increase was primarily as a result of an increase in the headcount of research and development personnel we employed from 186 persons as at 31 December 2011 to 237 persons as at 31 December 2012 and an increase in their salaries and wages in 2012.

Selling and distribution costs

Our selling and distribution costs increased by RMB0.9 million, or 2.2%, from RMB40.6 million for the year ended 31 December 2011 to RMB41.5 million for the year ended 31 December 2012. This increase was primarily as a result of an increase in office and utilities primarily due to our increased sales activities and travel and marketing and promotion expenses for our sales and marketing personnel mainly due to our enhanced sales and marketing efforts.

Administrative expenses

Administrative expenses increased significantly by RMB5.5 million, or 66.3%, from RMB8.3 million for the year ended 31 December 2011 to RMB13.8 million for the year ended 31 December 2012. This increase was primarily as a result of an increase in staff salaries and benefits primarily due to increased headcount of our administrative personnel from 52 persons as at 31 December 2011 to 56 persons as at 31 December 2012 in line with our business expansion and an increase in office and utilities as a result of our increased administrative business activities.

Finance costs

Our finance costs increased significantly by RMB5.6 million, or 466.7%, from RMB1.2 million for the year ended 31 December 2011 to RMB6.8 million for the year ended 31 December 2012.

Taxation

Our taxation increased by RMB8.9 million, or 64.0%, from RMB13.9 million for the year ended 31 December 2011 to RMB22.8 million for the year ended 31 December 2012, primarily as a result of the increase in our turnover in 2012. The effective tax rate decreased from 22.5% for the year ended 31 December 2011 to 16.5% for the year ended 31 December 2012 primarily as the fair value gain of foreign currency forward contracts in 2012, was non-taxable.

Profit for the year

As a result of the foregoing, our profit for the year increased significantly by RMB67.0 million, or 139.3%, from RMB48.1 million for the year ended 31 December 2011 to RMB115.1 million for the year ended 31 December 2012.

Year ended 31 December 2011 compared with year ended 31 December 2010

Turnover

Our turnover increased by RMB87.1 million, or 24.4%, from RMB357.2 million for the year ended 31 December 2010 to RMB444.3 million for the year ended 31 December 2011. This increase was primarily as a result of (i) increased sales of magnetic strip-cards and smart cards, which increased from RMB274.8 million for the year ended 31 December 2010 to RMB311.9 million for the year ended 31 December 2011 mainly due to increased sales of magnetic strip-cards and smart cards as a result of increased market demand from the expansion of our customers' business; (ii) increased sales of personalisation service, which increased from RMB52.9 million for the year ended 31 December 2010 to RMB70.0 million for the year ended 31 December 2011 due to an increase in the amount of outsourcing from our customers to us; and (iii) increased sales of on-site card issuance system solutions, which increased from RMB29.5 million for the year ended 31 December 2010 to RMB62.4 million for the year ended 31 December 2011 mainly due to increased market demand of our solutions and our enhanced sales and marketing ability which resulted in the expansion of our market share.

Cost of goods sold

Our cost of goods sold increased by RMB68.2 million, or 29.6%, from RMB230.1 million for the year ended 31 December 2010 to RMB298.3 million for the year ended 31 December 2011. This increase was primarily as a result of increased sales during the year. Our material costs incurred during the year increased from RMB159.5 million for the year ended 31 December 2010 to RMB222.6 million for the year ended 31 December 2011, or 39.6%, primarily due to an increase in the sales of cards and an increase in the demand for our on-site card issuance system solutions, resulting in an increase in our purchase of raw materials to satisfy the demand of our products. Labour cost incurred increased from RMB32.2 million for the year ended 31 December 2010 to RMB46.2 million for the year ended 31 December 2011, or 43.5%, primarily due to an increase in the number of our production personnel from 731 as at 31 December 2010 to 829 as at 31 December 2011 in order to meet the increasing demand of our products. Others increased from RMB36.9 million for the year ended 31 December 2010 to RMB46.1 million for the year ended 31 December 2011, or 24.9%, which is in line with our turnover growth of the year.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB18.9 million, or 14.9%, from RMB127.1 million for the year ended 31 December 2010 to RMB146.0 million for the year ended 31 December 2011. Our gross profit margin decreased from 35.6% in 2010 to 32.9% in 2011 primarily due to the intense competition we faced in the open tender processes in order for us to maintain our market position in the magnetic strip-cards and smart cards segment, which limited our ability to raise the prices of certain of our products to the same extent as to match the increase in the cost of goods sold for such products.

Other income, expenses, gains or losses

Our other income, expenses, gains or losses decreased from a gain of RMB4.2 million for the year ended 31 December 2010 to a gain of RMB2.7 million for the year ended 31 December 2011. This decrease was primarily as a result of (i) a decrease of government grants; and (ii) an increase in allowance for doubtful debts for other receivables from RMB3,000 of reversal of doubtful debts for the year ended 31 December 2010 to RMB1.3 million of allowance for doubtful debts for the year ended 31 December 2011 primarily due to our expectation that certain of the deposits we made to our suppliers and PRC customs may not be recoverable due to the age of the balance; partially offset by an increase net exchange gain from RMB1.0 million for the year ended 31 December 2010 to RMB2.6 million for the year ended 31 December 2011, primarily as a result of appreciation of RMB against foreign currencies.

Research and development costs

Our research and development costs increased by RMB3.0 million, or 14.6%, from RMB20.6 million for the year ended 31 December 2010 to RMB23.6 million for the year ended 31 December 2011. This increase was primarily as a result of an increase in certification and inspection fee relating to our patent applications.

Selling and distribution costs

Our selling and distribution costs increased by RMB5.5 million, or 15.7%, from RMB35.1 million for the year ended 31 December 2010 to RMB40.6 million for the year ended 31 December 2011. This increase was primarily due to (i) an increase in freight and shipping resulting from increased sales of our products, (ii) an increase in staff salaries and benefits due to an increase in the salary and benefits of our staff and employees; and (iii) an increase in travel expenses of our sales and marketing personnel as a result of our enhanced sales and marketing activities.

Administrative expenses

Administrative expenses increased by RMB1.8 million, or 27.7%, from RMB6.5 million for the year ended 31 December 2010 to RMB8.3 million for the year ended 31 December 2011. This increase was primarily as a result of the hiring of Mr. Hou Ping, our chief executive officer and executive Director.

Finance costs

Our finance costs increased significantly from nil for the year ended 31 December 2010, which was a result of our incurring bank loans in the end of 2010, to RMB1.2 million for the year ended 31 December 2011. This increase was primarily as a result of the increase in bank borrowings in 2011.

Taxation

Despite that the loss on fair value change of derivative financial instruments was non-tax deductible, our taxation decreased by RMB1.8 million, or 11.5%, from RMB15.7 million for the year ended 31 December 2010 to RMB13.9 million for the year ended 31 December 2011, primarily as a result of the utilisation of deferred tax assets recognised in prior years. Effective tax rate decreased slightly from 22.7% for the year ended 31 December 2010 to 22.5% for the year ended 31 December 2011 as the withholding tax rate on dividend distribution was only 5% compared to the 15% to 25%, EIT our PRC subsidiaries were subject to.

Profit for the year

As a result of the foregoing, our profit for the year decreased by RMB5.3 million, or 9.9%, from RMB53.4 million for the year ended 31 December 2010 to RMB48.1 million for the year ended 31 December 2011.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to fund our working capital requirements, property, plant and equipment and to repay loans and related interest expenses. To date, we have funded our operations principally with cash generated from our operations, capital contributions from our Shareholders and bank borrowings. In the future, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, bank loans and other borrowings, net proceeds from this Global Offering and other funds raised from the capital markets from time to time. Any significant decrease in demand for, or pricing of, our products or a significant decrease in the availability of bank loans may adversely impact our liquidity.

Cash Flows

As at 31 December 2010, 2011 and 2012 and 30 June 2012 and 2013, we had cash and cash equivalents of RMB44.0 million, RMB22.3 million, RMB42.2 million and RMB34.8 million and RMB86.5 million, respectively. The following table sets forth our cash flows for the years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2012 and 2013:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Net cash from/(used in) operating activities	47,504	91,468	232,900	(42,437)	(20,026)
Net cash from/(used in) investing activities	(83,240)	(89,371)	(25,495)	35,181	73,954
Net cash from/(used in) financing activities	33,421	(23,134)	(187,487)	19,667	(9,298)
Net (decrease)/increase in cash and cash equivalents	(2,315)	(21,037)	19,918	12,411	44,630
Cash and cash equivalents at the beginning of year/period	47,111	44,007	22,317	22,317	42,223
Effect of foreign exchange rate changes	(789)	(653)	(12)	68	(382)
Cash and cash equivalents at the end of year/period	**44,007**	**22,317**	**42,223**	**34,796**	**86,471**

Cash flows from operating activities

For the six months ended 30 June 2013, our net cash used in operating activities amounted to RMB20.0 million, primarily reflecting our profit before taxation of RMB101.5 million, as adjusted for (i) an increase in trade and bills receivables of approximately RMB285.5 million primarily due to increased sales during the period and the continuous and substantial increase in sales benefiting from the policies of the PRC and Hong Kong governments promoting the migration towards smart cards, and (ii) an increase in inventories of approximately RMB26.3 million as a result of stocking sufficient inventories of IC chips to meet anticipated increase in the sales of our smart cards and some finished smart cards not yet delivered to our customers, and was offset primarily by an increase in trade and bills payables of approximately RMB196.6 million primarily due to our increased purchases of IC chips. In addition to increases in trade and bills receivables and inventories, the practice of many of our customers in the PRC (where the turnover generated from the PRC accounted for 86.7%, 89.5%, 89.0% and 94.2% of our total turnover for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013) of having relatively longer repayment time during the year and having their outstanding balances settled at close to year end also contributed to our net cash outflow for the six months ended 30 June 2013. However, taking into consideration of our bank balances and cash as at 30 June 2013 and 30 September 2013, we believe occasional net cash outflow for operating activities will not have a material adverse effect on our financial condition and liquidity.

For the year ended 31 December 2012, our net cash generated from operating activities amounted to RMB232.9 million, primarily reflecting our profit before taxation of RMB137.9 million, as positively adjusted primarily by (i) an increase in trade and bills payables of approximately RMB224.4 million primarily due to increased purchases of IC chips, and (ii) an increase in other payables of approximately RMB30.7 million, and was offset primarily by (i) an increase in trade and bills receivables of approximately RMB99.5 million primarily due to increased sales during the year, and (ii) an increase in inventories of approximately RMB54.3 million as a result of accumulating sufficient inventories of IC chips to meet anticipated increase in the sales of our smart cards and some finished smart cards not yet delivered to our customers.

For the year ended 31 December 2011, our net cash generated from operating activities amounted to RMB91.5 million, primarily reflecting our profit before taxation of RMB62.0 million, as positively adjusted primarily by an increase in trade and bills payables of approximately RMB18.9 million offset primarily by an increase in inventories of approximately RMB23.6 million, and an increase in other payables of approximately RMB11.8 million primarily due to increased in salaries payable for the December 2011 to our increased headcount, which was paid in January 2012, and value-added tax payable for the sales of our product as well as a loss of fair value changes of derivative financial instrument of approximately RMB13.1 million.

For the year ended 31 December 2010, our net cash generated from operating activities amounted to RMB47.5 million, primarily reflecting our profit before taxation of RMB69.1 million, as positively adjusted primarily by (i) an increase in trade and bills payables of approximately RMB6.4 million and (ii) an increase in other payables of approximately RMB5.8 million, and was offset primarily by (i) an increase in inventories of approximately RMB25.7 million, (ii) an increase in trade and bills receivables of approximately RMB9.6 million and (iii) an increase in other receivables and prepayments of approximately RMB4.3 million.

Cash flows from investing activities

For the six months ended 30 June 2013, our net cash from investing activities amounted to RMB74.0 million, reflecting cash inflows primarily due to redemption of other financial assets of RMB201.8 million in unlisted funds in the PRC, and was partially offset by (i) purchases of other financial assets of approximately RMB78.0 million in investments in structured deposits issued by banks in the PRC and (ii) placement of pledged bank deposits of approximately RMB64.1 million.

For the year ended 31 December 2012, our net cash used in investing activities amounted to RMB25.5 million, reflecting cash outflows primarily due to purchases of other financial assets of approximately RMB473.8 million, and was partially offset by (i) redemption of other financial assets of approximately RMB355.0 million and (ii) withdrawals from pledged bank deposits of approximately RMB149.9 million. Purchases and redemption of other financial assets include investments unlisted funds in the PRC and structured deposits issued by banks in the PRC.

For the year ended 31 December 2011, our net cash used in investing activities amounted to RMB89.4 million, reflecting cash outflows primarily due to (i) purchases of other financial assets of approximately RMB1.3 billion, (ii) placements in pledged bank deposits of approximately RMB149.8 million and (iii) purchases of property, plant and equipment of approximately RMB17.7 million, was partially offset by redemption of other financial assets of approximately RMB1.3 billion.

For the year ended 31 December 2010, our net cash used in investing activities amounted to RMB83.2 million, reflecting cash outflows primarily due to (i) purchases of other financial assets of approximately RMB564.5 million, (ii) purchases of property, plant and equipment of approximately RMB16.0 million and (iii) placements in pledged bank deposits of approximately RMB48.6 million, and was partially offset by redemption of other financial assets of approximately RMB544.5 million.

Cash flows from financing activities

For the six months ended 30 June 2013, our net cash used in financing activities amounted to RMB9.3 million, reflecting cash outflows primarily due to (i) repayment of bank loans of approximately RMB30.6 million and (ii) dividends paid of approximately RMB25.6 million, and was partially offset by bank loans raised of approximately RMB47.4 million.

For the year ended 31 December 2012, our net cash used in financing activities amounted to RMB187.5 million, reflecting cash outflows primarily due to (i) repayment of bank loans of approximately RMB200.0 million, (ii) dividends paid of approximately RMB38.9 million and (iii) repayment of a loan to Gemalto Technologies (Shanghai) Co. Ltd. ("**Gemalto Shanghai**"), a subsidiary of Gemalto and a related company, which we used for working capital purposes, in the amount of approximately RMB26.0 million, in the year ended 31 December 2011, and was partially offset by bank loans raised of approximately RMB84.2 million.

For the year ended 31 December 2011, our net cash used in financing activities amounted to RMB23.1 million, primarily reflecting cash outflows from (i) dividends paid of approximately RMB167.4 million and (ii) repayment of bank loans of approximately RMB81.5 million, and was partially offset by (i) bank loans raised of approximately RMB200.9 million; and (ii) borrowings from Gemalto Shanghai of approximately RMB26.0 million for working capital purposes in the year ended 31 December 2011.

For the year ended 31 December 2010, our net cash generated from financing activities amounted to RMB33.4 million, primarily reflecting cash inflows from drawing down of bank loans in the amount of approximately RMB33.4 million.

Working Capital

Our Directors believe that after taking into consideration the financial resources available to us, including cash flows from our operations, banking facilities and estimated net proceeds from the Global Offering, we have sufficient working capital for at least the 12 months commencing from the date of this prospectus.

DESCRIPTION OF SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Current Assets and Liabilities

The following table sets forth details of our current assets and liabilities as at the dates indicated:

	As at 31 December			At 30 June	As at 30 September
	2010	2011	2012	2013	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Current assets					
Inventories	69,607	92,312	145,554	168,395	197,995
Trade and bills receivables	93,004	84,431	183,311	459,634	484,441
Other receivables and prepayments	10,252	6,924	5,959	9,621	11,267
Amount due from a related company	276	—	—	—	—
Other financial assets	110,000	83,000	201,801	78,001	165,000
Pledged bank deposits	50,421	151,289	34,496	64,069	62,469
Bank balances and cash	44,007	22,317	42,223	86,471	158,397
Total current assets	377,567	440,273	613,344	866,191	1,079,569
Current liabilities					
Trade and bills payables	94,862	113,745	338,132	534,747	557,934
Other payables	39,974	51,762	82,450	72,278	64,077
Government grants	—	1,100	3,000	6,400	7,200
Loan from/amount due to related companies	1,499	27,499	11,249	3,874	58,628
Derivative financial instruments	—	13,058	—	—	—
Taxation	5,969	6,818	16,514	21,472	31,728
Bank loans	33,426	152,831	37,093	53,940	37,374
Total current liabilities	175,730	366,813	488,438	697,711	756,941
Net current assets	**201,837**	**73,460**	**124,906**	**168,480**	**322,628**

As 30 September 2013, we had net current assets of RMB322.6 million, which primarily consisted of trade and bills payables, inventories, other financial assets and bank balances and cash. The amount due to related companies represented dividends payable to our related companies, which will be fully settled prior to Listing.

As at 30 June 2013, we had net current assets of RMB168.5 million, representing an increase of RMB43.6 million compared to net current assets as at 31 December 2012, or 34.9%. This increase was primarily due to an increase in current assets, partially offset by an increase in current liabilities. The increase in current assets include (i) an increase in trade and bills receivables of RMB276.3 million as a result of our increased sales during the first half of 2013 and the continuous and substantial increase in sales benefiting from the policies of the PRC and Hong Kong governments promoting the migration towards smart cards and (ii) an increase in bank balances and cash of RMB44.3 million primarily because we deposited our spare cash at the banks, which would otherwise be invested in other financial assets. This increase was partially offset by a decrease in other financial assets of RMB123.8 million as we redeemed our investments in unlisted funds in the PRC and structured deposits in the amount of RMB201.8 million and subsequently placed RMB78.0 million in structured deposits as at 30 June 2013. The increase in current liabilities mainly included an increase in trade and bills payables of RMB196.6 million.

Our net current assets increased by RMB51.4 million, or 70.0%, from RMB73.5 million as at 31 December 2011 to RMB124.9 million as at 31 December 2012. This increase was primarily due to an increase in current assets, partially offset by an increase in current liabilities. The increase in current assets mainly included (i) an increase in other financial assets of RMB118.8 million primarily in the form of investments in unlisted money market funds in the PRC managed by PRC financial institutions with underlying financial instruments mainly consisting of PRC government bonds and corporate bonds issued by state-owned enterprises; (ii) an increase of trade and bills receivables of RMB98.9 million as a result of our increased sales during the year and (iii) an increase in inventories of RMB53.2 million primarily because of an increase in IC chips as a result of accumulating inventories to meet anticipated increase in the sales of our smart cards and some finished smart cards not yet delivered to our customers. This increase was partially offset by a decrease in pledged bank deposits of RMB116.8 million, which was released when we repaid the loans secured by the pledged deposit. The increase in current liabilities mainly included an increase in trade and bill payables of RMB224.4 million and an increase in other payables of RMB30.7 million. This increase was partially offset by a decrease in bank loans of RMB115.7 million.

Our net current assets decreased by RMB128.3 million, or 63.6%, from RMB201.8 million as at 31 December 2010 to RMB73.5 million as at 31 December 2011. This decrease was primarily due to an increase in current assets, offset and exceeded by an increase in current liabilities. The increase in current assets mainly included (i) an increase in pledged bank deposits of RMB100.9 million and (ii) an increase in inventories of RMB22.7 million, which primarily consist of finished magnetic strip cards and smart cards as a result of our increasing sales. This increase was partially offset by a decrease in other financial assets of RMB27.0 million. The increase in current liabilities mainly included (i) an increase in bank loans of RMB119.4 million to finance our operations, (ii) a loan from a related company in the amount of RMB26.0 million to fund our working capital and (iii) an increase in trade and bills payables of RMB18.9 million.

Inventories

Our inventories primarily consist of raw materials, work in progress and finished goods. The following table sets forth the breakdown of our inventories as at the dates indicated:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	57,462	63,528	86,721	79,487
Work in progress	1,916	1,608	5,196	6,770
Finished goods	10,229	27,176	53,637	82,138
	69,607	**92,312**	**145,554**	**168,395**

Our inventories increased by 57.7% to RMB145.6 million as at 31 December 2012 from RMB92.3 million as at 31 December 2011 after the increase of 32.6% from RMB69.6 million as at 31 December

2010 to RMB92.3 million as at 31 December 2011. The increase in inventory balance was a result of keeping sufficient inventories of IC chips to meet the anticipated increase in the sales of our smart cards and some finished smart cards not yet delivered to our customers. Our inventories increased by 15.7% to RMB168.4 million as at 30 June 2013 primarily as a result of an increase in the inventory of finished smart cards for further processing for personalisation service.

We normally make full provision for inventories held over one year. We will also make specific provision for slow-moving and obsolete finished products where appropriate.

As at the Latest Practicable Date, approximately RMB124.3 million, or 73.9%, of our inventories as at 30 June 2013 had been sold or utilised.

The following table sets forth our average inventory turnover days for the periods indicated:

	Year ended 31 December			Six months ended 30 June
	2010	**2011**	**2012**	**2013**
Average inventory turnover days(1)	93.2	99.1	91.7	74.7

Note:

(1) Average inventory turnover days equal to the average of the opening and closing balances of inventories of the relevant period divided by cost of goods sold of the relevant year/period and multiplied by 365 days for the year ended 31 December 2010, 2011 and 2012, or 183 days for the six months ended 30 June 2013.

The average inventory turnover days increased from 93.2 days for the year ended 31 December 2010 to 99.1 days for the year ended 31 December 2011, primarily as a result of our longer production time for smart cards, which generally takes about three weeks compared to two weeks of production time for magnetic strip cards, as we began to shift our production focus to smart cards that utilise IC chips as the primary component, and decreased to 91.7 days for the year ended 31 December 2012 primarily as a result of increased efficiency of smart cards production. It subsequently decreased to 74.7 days for the six months ended 30 June 2013 primarily because of a substantial increase in the cost of goods sold as a result of increased sales volume of our smart cards.

Trade and Bills Receivables

The following table sets forth a breakdown of our trade and bills receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Trade receivables				
— Gemalto's subsidiaries	284	—	8	8
— PRC banks and PRC government agencies	79,820	64,194	146,377	412,112
— other third parties	6,541	9,047	19,625	16,701
Retentions held by customers	1,651	6,719	10,358	17,467
Bills receivables	2,451	915	—	—
Total	**93,004**	**84,431**	**183,311**	**459,634**

Our trade and bills receivables primarily relate to outstanding amounts receivable by us from our customers less any allowance for doubtful debts. Our trade and bills receivables decreased by 9.2% from RMB93.0 million as at 31 December 2010 to RMB84.4 million as at 31 December 2011.

Subsequently, our trade and bills receivables increased by 117.1% to RMB183.3 million as at 31 December 2012 primarily because of increased turnover in 2012. It increased significantly to RMB459.6 million as at 30 June 2013 primarily due to the continuous and substantial increase in sales benefiting from the policies of the PRC and Hong Kong governments promoting the migration towards smart cards and the fact that a substantial portion of our trade and bills receivables for the six months ended 30 June 2013 were still within the credit period. For example, our trade and bills receivables between 0 to 90 days and 91 to 180 days increased from RMB123.1 million and RMB32.5 million as at 31 December 2012, respectively, to RMB267.1 million and RMB136.9 million as at 30 June 2013, respectively. This was because more sales were made in the second quarter of 2013 after the Chinese New Year holiday in China during first quarter of 2013, resulting in a higher trade receivables with age within 0 to 180 days as at 30 June 2013.

Payment terms with our customers are mainly on credit. Invoices are normally payable in 30 to 150 days by the customers from date of issuance. The following table sets forth the aging analysis of our trade and bills receivables as at the dates indicated:

	As at 31 December			As at 30 June
Age	**2010**	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0-90 days	51,492	57,125	123,076	267,078
91-180 days	16,564	10,164	32,465	136,906
181-365 days	18,394	13,936	18,781	46,824
Over 1 year(1)	6,554	3,206	8,989	8,827
	93,004	**84,431**	**183,311**	**459,634**

Note:

(1) Included in the above balance aged over one year at 31 December 2012 and 30 June 2013 was retentions held by customers for sales of cards of RMB1.7 million and RMB4.7 million, respectively. We did not make any provision for the unsettled balance aged over one year and the amount of retention receivable included in our trade and bills receivables as at 31 December 2010 and 2011 primarily because based on actual circumstances, it was our management's judgment that we would be able to eventually collect such unsettled balance.

As at the Latest Practicable Date, approximately RMB278.2 million, or 60.5%, of our trade receivables as at 30 June 2013 was settled. Our Directors consider that there was no deterioration in the credit quality in view that our trade receivables with age within 0 to 180 days as at 30 June 2013 represented 87.9% of our total receivables, which was comparable to that as at 31 December 2012 of 84.8%, as well as the fact that over 60% of our sales made in the six months ended 30 June 2013 were from PRC banks with over 10 years of business relationship with us. Together with the repayment pattern of our PRC customers which is illustrated below, our Directors believe the risk of default of our receivables is low.

The following table sets forth the average turnover days of our trade and bills receivables (excluding the retentions held by customers) for the periods indicated:

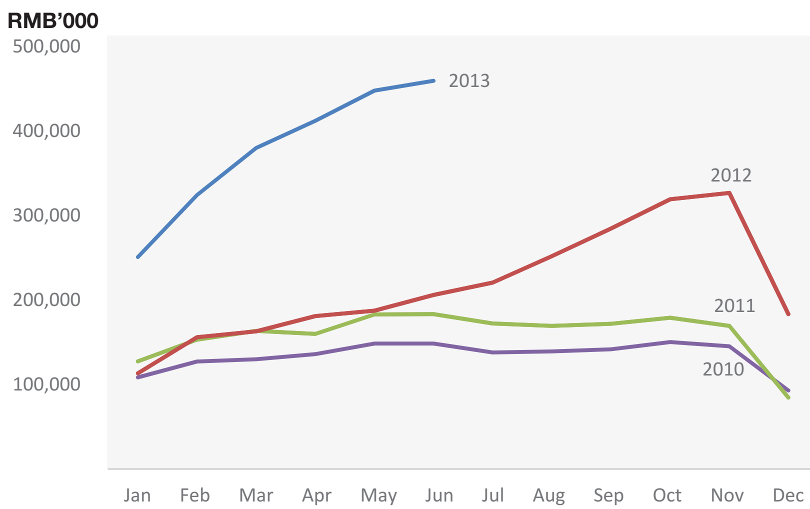
	Year ended 31 December			Six months ended 30 June
	2010	**2011**	**2012**	**2013**
Average turnover days of our trade and bills receivables(1)	88.3	69.4	67.6	104.2

Note:

(1) Average turnover days of our trade and bills receivables equal to the average of the opening and closing balances of trade and bills receivables (excluding the retentions held by customers) for the relevant year/period divided by turnover and multiplied by 365 days for the year ended 31 December 2010, 2011 and 2012, or 183 days for the six months ended 30 June 2013.

The average turnover days of our trade receivables decreased from 88.3 days for the year ended 31 December 2010 to 69.4 days for the year ended 31 December 2011, and further decreased to 67.6

days for the year ended 31 December 2012. The improved average turnover days was primarily due to our effort to collect payments from our customers. It increased to 104.2 days for the six months ended 30 June 2013 primarily due to the substantial increase in the sales of our smart cards as demonstrated by the increase in our production volume of smart card during the first six months of 2013, where the production volume of 45.6 million units had exceeded that of the entire year 2012, which was 40.0 million units (we use production volume of smart cards to illustrate the sales of our smart cards because we are unable to separately present the turnover of smart cards and magnetic strip cards as most of the smart cards we produced during the Track Record Period also contain magnetic strips), and the practice of many of our customers in the PRC (where the turnover generated from the PRC accounted for 86.7%, 89.5%, 89.0% and 94.2% of our total turnover for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013) of having relatively longer repayment time during the year and having their outstanding balances settled at close to year end. This is demonstrated in the trend of the monthly closing balance of our trade and bills receivables during the Track Record Period as illustrated in the chart below:



The following table sets forth the average turnover days of our trade and bills receivables for our customers who are (i) PRC banks and PRC government agencies and (ii) other third-party customers (excluding the retentions held by them) for the periods indicated:

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
Average turnover days of our trade and bills receivables for PRC banks and PRC government agencies(1)	94.9	70.1	67.1	103.4
—*Representing contributions to our total trade and bills receivables*	90.1%	83.6%	84.6%	93.2%
Average turnover days of our trade and bills receivables for other third-party customers(1)(2)	48.9	56.4	69.0	111.9
—*Representing contributions to our total trade and bills receivables*	9.9%	16.4%	15.4%	6.8%

Notes:

(1) Average turnover days of our trade and bills receivables for these customers equal to the average of the opening and closing balances of trade and bills receivables (excluding the retentions held by them) for the relevant year/period divided by turnover and multiplied by 365 days for the year ended 31 December 2010, 2011 and 2012, or 183 days for the six months ended 30 June 2013.

(2) The average turnover days of our trade and bills receivables for other third-party customers were higher for the year ended 31 December 2012 and six months ended 30 June 2013 primarily because a majority of the sales made to our other third-party customers during the year/period were still within the credit period as at the respective year/period end. However, since the trade and bills receivables for our other third-party customers only contributed 15.4% and 6.8% to our total trade and bills receivables as at 31 December 2012 and 30 June 2013, respectively, our Directors consider the they did not have a material impact on our total trade and bills receivables.

Trade receivables are initially recognised at fair value and subsequently measured at amortised costs less provision of impairment on bad and doubtful accounts. Trade receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no history of default. Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with us. Based on past experience, we believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. In determining the recoverability of the trade receivables, our Group monitors change in the credit quality of the trade receivables since the credit was granted and up to the reporting date. The Directors considered that the concentration of credit risk is limited due to the customer base being large and unrelated. We do not hold any collateral or other credit enhancements over these balances.

The following table sets forth the movement in allowance for doubtful debts for the periods indicated:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	1,382	1,431	2,000	2,553
Allowances recognised on receivables	49	633	571	9,200
Bad debts written off	—	(64)	(18)	—
At the end of the reporting year/period	1,431	2,000	2,553	11,753

As at 31 December 2010, 2011 and 2012 and 30 June 2013, the allowance for doubtful debts represented individually impaired trade receivables which have been overdue for a long time and the Directors of our Company consider the recoverability of these debts to be low based on historical experience. We make collection efforts by contacting our customers from time to time for any outstanding balances after the expiration of the initial credit period. Our Group did not hold any collateral over these balances.

Other Receivables and Prepayments

The following table sets forth a breakdown of our other receivables and prepayments as at the dates indicated:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Rental and utility deposits	421	434	638	806
Tender deposits	2,162	2,130	2,288	2,917
Deposits paid to contractors	—	—	—	1,290
Deposits paid to suppliers	4,829	771	500	2,270
Other prepayments and deposits	2,840	3,589	2,533	2,338
	10,252	**6,924**	**5,959**	**9,621**

Our other receivables and prepayments mainly comprise prepayments to suppliers, prepaid expenses and other deposits and prepaid expenses. Rental and utility deposits amounted to RMB421,000, RMB434,000, RMB638,000 and RMB806,000 as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively. Tender deposits were steady during the Track Record Period and amounted to RMB2.2 million, RMB2.1 million, RMB2.3 million and RMB2.9 million as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively.

Deposits paid to contractors amounted to RMB1.3 million as at 30 June 2013, which consisted of deposits for certain fixed assets such as machinery.

Deposits paid to suppliers amounted to RMB4.8 million, RMB771,000, RMB500,000 and RMB2.3 million as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively. The significant decrease in deposits paid to suppliers between 2010 and 2011 was due to a decrease in the purchases of IC chips and holograms from one of our suppliers that require deposits and the significant increase in deposit paid to suppliers between 31 December 2012 and 30 June 2013 was due to the deposits we were required to make to a supplier of on-site card issuance systems.

Other prepayments and deposits increased from RMB2.8 million as at 31 December 2010 to RMB3.6 million as at 31 December 2011 primarily due to increased deposits that we were required to pay to PRC customs for the import of raw materials. It subsequently decreased to RMB2.5 million as at 31 December 2012 and further decreased to RMB2.3 million as at 30 June 2013 as a result of a decrease of deposits we paid to PRC customs in connection with the importation of raw materials.

Other Financial Assets

Our Group held certain financial assets that are classified as financial assets at fair value through profit or loss, including unlisted funds in the PRC and structured deposits placed in the PRC during the Track Record Period. Our Group made investments in certain unlisted money market funds in the PRC in 2012 that were authorised by the CSRC, and in structured deposits issued by certain licensed banks in the PRC during 2010, 2011 and 2012 and the first half of 2013 primarily for the purpose of gaining higher short-term investment return than fixed rate return from deposits at banks. Our counterparty selection criterion is that the counterparties that are unlisted money market funds must be authorised by the CSRC and CBRC and the counterparties that offer structured deposits must be banks licensed by the CBRC.

The following table sets forth the balance of our investments in other financial assets during as at the dates indicated:

	At 31 December			As at 30 June	As at 30 September
	2010	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Unlisted funds in the PRC	—	—	185,000	—	115,000
Structured deposits placed in the PRC	110,000	83,000	16,801	78,001	50,000
	110,000	**83,000**	**201,801**	**78,001**	**165,000**

The unlisted funds in the PRC represented money market funds managed by PRC financial institutions with underlying financial instruments consisting mainly of PRC government bonds and corporate bonds issued by state-owned enterprises, which our Directors consider the PRC government and state-owned enterprises with PRC government interest to be low risk in nature.

The structured deposits were standard financial products issued by certain licensed banks in the PRC, which were linked to the market price of its underlying financial instruments, including government bonds, central bank notes and bank deposits. Our Directors confirm that none of the unlisted funds and structured deposits we invested in during the Track Record Period contained any element of gearing or leverage.

Our treasury and investment policy

During the Track Record Period, we managed our surplus cash mainly through investing in money market funds and other standard financial products issued by certain licensed banks that we believe have low risks and offer better returns than cash deposits at commercial banks in the PRC.

Accordingly, we have in place a treasury and investment policy which governs our investments in such financial assets.

Our treasury and investment policy includes, among other things, the following:

- investment should be undertaken only in situations where our Group has surplus cash, which are not required for our short-term working capital purposes in the following one to three months;
- the types of investment shall be limited to low risk money market funds and other low risk wealth management products (where capital pool primarily consists of government bonds, central bank notes and other low risk corporate bonds), including, but not limited to:
  (i) term deposits with registered banks and bank negotiable instruments such as certificate of deposits and mutual funds that may be readily convertible to cash;
  (ii) structured deposits that are placed with certain licensed banks in the PRC that have interest rates linked to the market price of underlying financial instruments; and
  (iii) money market funds in the PRC, which must be authorised by the relevant PRC regulatory authorities;
- criteria for selecting investments to be considered by members of our senior management shall include, but not limited to, liquidity, risk and expected yield. The investment shall be low risk and provide reasonable return of surplus funds while maintaining liquidity; and
- investments shall be short-term only (which refers to a period of not more than one year) in order to maintain liquidity and financial flexibility and non-speculative in nature.

In order to further reduce risks associated with our investments in financial assets described above, we have in the past, and may continue in the future, including after the Listing, to seek investments in the PRC that provide guaranteed principal and short-term investments in money market funds and other low risk wealth management products that will provide higher investment returns than fixed rate returns from cash deposits at commercial banks. Accordingly, we may update our treasury and investment policy from time to time in accordance with the development of our Group and the macroeconomic environment in the PRC.

Risk management policy and internal control measures

Our investments in other financial assets were made and monitored by a working group comprised of three members of our senior management, Chairman Lu, our chairman and executive Director, Mr. Hou Ping, our chief executive officer and executive Director, and Ms. Li Yijin, our chief financial officer (the "**treasury management committee**"), with the support of the staff of our accounting and finance department. They were responsible for monitoring and making financial investment decisions and accountable to the Board during the Track Record Period. Chairman Lu has approximately 20 years of experience in the business of the financial card industry and has extensive experience working at a commercial bank. In addition, he served as the general manager of the trust investment company of Industrial and Commercial Bank of China at its Zhuhai branch where he was responsible for overseeing the investment activities of the trust investment company. Mr. Hou Ping has over 30 years of experience in the banking industry. Ms. Li Yijin has approximately 22 years of experience in the accounting and financial reporting matters and have cash and treasury management experiences including, but not limited to, monitoring our cash position and bank borrowing rates. Since 2009, Ms. Li's cash and treasury management experience also consisted of working closely with PRC commercial banks, evaluating appropriate financial asset investment opportunities, making investment decisions and monitoring the performance of our financial asset investments. To enhance our internal control measures relating to our investments in other financial assets, effective upon Listing, we intend to reconstitute our treasury management committee by replacing Ms. Li Yijin with Mr. Mak Wing Sum Alvin, one of our independent non-executive directors. Mr. Mak graduated from the University of Toronto in Canada with a Bachelor of Commerce degree in June 1976. He has been a Chartered Accountant of the Canadian Institute of Chartered Accountants since September 1979, a Chartered Professional Accountant of the Canadian Institute of Chartered Accountants since November 2012 and currently also a member of the Hong Kong Institute of Certified Public Accountants. Before his retirement, Mr. Mak spent 26 years at Citibank Hong Kong and held various senior positions, including managing its regional global asset management business and as head of markets and banking. For details of their background, qualification and experience, please refer to the section headed "Directors and Senior Management".

In addition, as part of our risk management policy, our accounting and finance department, which consists of seven personnel with an average of over ten years of experience in accounting, finance and/or treasury management matters and headed by our chief financial officer, is responsible for, among other things, (i) formulating relevant risk management procedures, (ii) assessing and monitoring investment risks in light of our treasury condition, including exchange rate and interest rate exposure, (iii) considering relevant precautionary measures, and (iv) submitting investment applications to our senior management for approval. Our treasury business is based on the principle of preservation of principal and accordingly, mid-to-high risk investments are prohibited.

We consider the risk level of other financial asset investments based on the risk classifications provided by the relevant banks. For details on the risk classification of our investments in other financial assets, please see page 197 in this prospectus. In general, low risk investments refer to, among others, money market funds, governmental bonds and central bank notes, while mid-to-high risk investments are those other than low risk investments.

Our existing internal control measures relating to our investments in other financial assets are as follows:

- Our chief financial officer reviews, with the support of the staff of our accounting and finance department, our cash position, working capital requirements and available potential investment opportunities on a monthly basis and proposes a monthly investment plan (the "**Monthly Investment Plan**") in monthly treasury management meetings;

- The Monthly Investment Plan will set out for treasury management committee's review and approval, among others, (i) the proposed scope of the investment as to investment target(s) during the next month in accordance with our treasury and investment policy, (ii) a cap on the maximum balance of such other financial assets during the month, and (iii) a cap on individual investment, which is currently set at RMB20.0 million;

- The treasury management committee reviews and approves the Monthly Investment Plan at such monthly meetings after considering whether the Monthly Investment Plan would materially and adversely affect our cash position and working capital requirements;

- Once the Monthly Investment Plan is approved by the treasury management committee, our chief financial officer is authorised to execute the investment and redemption decisions in accordance with the approved Monthly Investment Plan;

- A designated staff member of our accounting and finance department will monitor the status of the investment to assess existing and potential risk exposure on a daily basis, such as daily investment returns, and report the findings to our chief financial officer, who will in turn notify the treasury management committee for further action if there is any material deviation in the position of our Group's investment; and

- Express approval from the treasury management committee is required if an investment proposed to be made is beyond the scope of the approved Monthly Investment Plan, i.e., when (i) an investment is beyond the types of investment set out in the approved Monthly Investment Plan; (ii) the balance of such other financial assets investment, after an investment is made, will exceed the approved cap set out in the approved Monthly Investment Plan; and (iii) any individual investment to be made will exceed RMB20.0 million.

Investment procedures and guidelines

In order to strictly adhere to our treasury and investment policy, we established a set of procedures and guidelines relating to our investments in other financial assets during the Track Record Period. The following table sets forth the detailed procedures and guidelines.

- Our accounting and finance department usually conducts an analysis or review of the overall cash position of our Group on a monthly basis and reports to our chief financial officer;

- If it is determined that we have surplus cash available that is not needed for our short-term working capital purposes in the following one to three months, our chief financial officer will review a wide range of the standard financial products offered by select authorised banks in the PRC that do not contravene our investment and treasury policy and are within the scope of the approved Monthly Investment Plan;

- Detailed analysis on investment risks and estimation of profit and loss on a particular financial product will be conducted by our accounting and finance personnel;

- A report will be prepared, which will specify the type, term and amount of investment and an investment application containing such report will be submitted to our chief financial officer for execution and the investment execution will be reviewed and approved by our chief executive officer or our chairman; and

- We may redeem our investments in other financial assets if (i) an investment matures, (ii) we have a need for cash for working capital purposes, or (iii) the daily returns on our investments are lower than our expectations or fixed-rate returns from cash deposits at commercial banks, except with respect to (ii) and (iii), no redemption can be made without the approval of the treasury management committee. Except for investments that have definitive maturity dates before which redemption is not permitted, we can redeem all other investments with open maturity dates at any time.

During the Track Record Period, we maintained a general stop-loss policy with respect to our investments in other financial assets, pursuant to which our accounting and finance department monitors the performance of our investments on a daily basis. While we did not set a specific quantitative benchmark for stop-loss, we may redeem all or part of our investments in other financial assets based on a number of factors, including, among others, prevalent market conditions, performance of the underlying investments and our expectation of realising investment gain as set forth in the initial investment plans. For example, in the event the daily returns on our investments in other financial assets are lower than our expectations, we may redeem all or part of our investments accordingly. In addition, while we did not maintain an on-going hedging policy during the Track Record Period, we entered into a one-off transaction involving foreign currency forward contracts in 2011 to limit our foreign currency risk exposure at the time as a result of short-term bank loans denominated in Euro we borrowed for the purpose of making dividend distributions in Euro to certain of our Group's shareholders. We do not expect to engage in any hedging activity going forward. For further details on foreign currency forward contracts, please see the section headed "— Description of Selected Consolidated Statements of Financial Position Items — Derivative Financial Instruments" of this prospectus.

We used our surplus cash to purchase other financial assets during the Track Record Period primarily to invest in such assets we believe can have higher flexibility in managing our cash flow while at the same time generate higher yields than non-fixed savings deposits at commercial banks, and we subsequently redeemed them primarily to realise our investment gain. Prior to the payment of dividends of approximately RMB167.4 million in August 2011, we had a relatively high level of surplus cash. Accordingly, we invested in other financial assets with such surplus cash with a view towards gaining higher yields than cash deposits at commercial banks. We did not, however, borrow any bank loans or other borrowings to carry out our investments in other financial assets during the Track Record Period and we expect to continue to use only our surplus cash to invest in other financial assets after the Listing. The larger amounts of total purchase of approximately RMB1.3 billion and total redemption of approximately RMB1.3 billion in 2011 as compared to other years and period during the Track Record Period were primarily due to multiple reinvestments (i.e. purchases with proceeds from redemptions without requiring large amounts of additional cash) in other financial assets with surplus cash recycled by our Group prior to the payment of dividends in August 2011. The following table sets forth the movement and average investment amount of our other financial assets during the Track Record Period on a quarterly basis:

	Carrying amount	Average Purchase/(redemption) amount
	RMB'000	RMB'000
As at 1 January 2010	90,000	N/A
Purchase for the quarter ended 31 March 2010	116,700	14,588
Redemption for the quarter ended 31 March 2010	(138,000)	(9,200)
As at 31 March 2010	68,700	N/A
Purchase for the quarter ended 30 June 2010	107,000	10,700
Redemption for the quarter ended 30 June 2010	(173,200)	(9,622)
As at 30 June 2010	2,500	N/A
Purchase for the quarter ended 30 September 2010	242,300	12,115
Redemption for the quarter ended 30 September 2010	(174,500)	(7,932)
As at 30 September 2010	70,300	N/A
Purchase for the quarter ended 31 December 2010	98,500	14,071
Redemption for the quarter ended 31 December 2010	(58,800)	(4,200)
As at 31 December 2010	110,000	N/A
Purchase for the quarter ended 31 March 2011	569,000	43,769
Redemption for the quarter ended 31 March 2011	(661,000)	(26,440)
As at 31 March 2011	18,000	N/A
Purchase for the quarter ended 30 June 2011	493,700	30,856
Redemption for the quarter ended 30 June 2011	(511,700)	(25,585)
As at 30 June 2011	–	N/A
Purchase for the quarter ended 30 September 2011	55,000	9,167
Redemption for the quarter ended 30 September 2011	(37,000)	(9,250)
As at 30 September 2011	18,000	N/A
Purchase for the quarter ended 31 December 2011	163,000	13,583
Redemption for the quarter ended 31 December 2011	(98,000)	(12,250)
As at 31 December 2011	83,000	N/A
Purchase for the quarter ended 31 March 2012	25,000	12,500
Redemption for the quarter ended 31 March 2012	(72,000)	(10,286)
As at 31 March 2012	36,000	N/A
Purchase for the quarter ended 30 June 2012	17,000	8,500
Redemption for the quarter ended 30 June 2012	(11,000)	(5,500)
As at 30 June 2012	42,000	N/A
Purchase for the quarter ended 30 September 2012	145,000	10,357
Redemption for the quarter ended 30 September 2012	(162,000)	(10,125)
As at 30 September 2012	25,000	N/A
Purchase for the quarter ended 31 December 2012	286,801	10,622
Redemption for the quarter ended 31 December 2012	(110,000)	(9,167)
As at 31 December 2012	201,801	N/A
Purchase for the quarter ended 31 March 2013	18,000	9,000
Redemption for the quarter ended 31 March 2013	(96,800)	(12,100)
As at 31 March 2013	123,001	N/A
Purchase for the quarter ended 30 June 2013	60,001	30,001
Redemption for the quarter ended 30 June 2013	(105,001)	(52,501)
As at 30 June 2013	**78,001**	N/A

The following table sets forth our investments in, and the risk profile, major underlying investments, yield rate, maturity date, redemption clause and potential maximum loss of, each of our unlisted funds and structured deposits during the Track Record Period:

Type of other financial assets	Risk classification[(1)]	Primary underlying investments	Maximum/ actual annual yield rate	Maturity date	Redemption provision	Balance as at 30 June 2013	Potential maximum loss on investment[(2)]
						RMB'000	
Unlisted funds							
Guangfa Fund	Low	Bank deposits, national bonds, corporate bonds	3.98%	Open	Redeemable by us daily during regular trading hours, excluding weekends and public holidays	—	Investment amount
Morgan Stanley Huaxin	Low	Bank deposits, bonds	4.21%	Open	Redeemable by us daily during regular trading hours, excluding weekends and public holidays	—	Investment amount
Structured deposits							
Bank of China	Low	Government bonds, central bank notes, bank deposits	2.30%	Open	Redeemable by us daily during regular trading hours, excluding weekends and public holidays	1	Investment amount
Industrial and Commercial Bank of China	Low	Bonds, bank deposits	1.80% to 2.20%[(3)]	Open	Redeemable by us daily during regular trading hours, excluding weekends and public holidays	18,000	Investment amount
Bank of Communications .	Very low	Currency, bonds (above investment grade), low-risk derivative financial instruments	6.20%	2 August 2013	Not redeemable until due date	60,000	N/A[(4)]
China Merchants Bank	Stable[(5)]	Bonds, bank deposits	4.20%	Open	Every seven days on a rolling basis	—	Investment amount
Total						78,001	

Notes:

(1) The underlying risk classification of our investments ranged from very low to stable and is based on the internal risk assessment provided by the relevant funds and banks for references only. Our Directors considered these unlisted funds and structured deposits were of low risks or stable investments.

(2) Maximum loss on investment is rare and only occurs in extreme and limited circumstances, such as government default if the underlying investment comprises government bonds.

(3) Maximum annual yield rate is estimated, which is 1.8% if the investment amount is less than RMB1.0 million, 2.0% if the investment amount is between RMB1.0 million and RMB5.0 million, and 2.2% if the investment amount is equal to or more than RMB5.0 million.

(4) The structured deposit made at Bank of Communications was principal-guaranteed and accordingly, we do not expect to incur any loss on our investment.
(5) The risk classification of "stable" is the second lowest of the five levels of risk category provided by the relevant bank for reference only. The five levels of risk category range from "prudent", which is the lowest risk level, to "aggressive", which is the highest risk level. Our management considered the second lowest risk level (namely, the "stable" level) is equivalent to the "low" level in the five-level risk categories provided by other banks.

Trade and Bills Payables

The following table sets forth the components of our trade and bills payables as at the dates indicated:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables				
— Gemalto's subsidiaries	10,957	12,300	129,123	228,156
— Gemalto's related company – DataCard Corporation	18,974	19,927	15,258	7,274
— third parties	50,143	59,584	96,184	114,111
	80,074	91,811	240,565	349,541
Secured bills payables				
— Gemalto's subsidiaries	—	—	—	85,421
— third parties	14,788	21,934	97,567	99,785
	14,788	21,934	97,567	185,206
Total	**94,862**	**113,745**	**338,132**	**534,747**

Trade and bills payables primarily consist of payments we owe to our suppliers. Our trade and bills payables increased from RMB94.9 million as at 31 December 2010 to RMB113.7 million as at 31 December 2011. Our trade and bills payables further increased to RMB338.1 million as at 31 December 2012 and to RMB534.7 million as at 30 June 2013 primarily as a result of increased purchases of IC chips.

As at the Latest Practicable Date, approximately RMB364.5 million, or 68.2%, of our trade and bills payables as at 30 June 2013 was settled.

Our Group normally receives credit terms of 60 to 180 days from its suppliers. The following table sets forth the aging analysis of our trade and bills payables as at the dates indicated:

	As at 31 December			As at 30 June
Age	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0-90 days	79,641	93,614	281,626	278,269
91-180 days	9,174	15,069	34,617	132,347
181-365 days	3,078	4,727	21,480	116,786
Over 1 year	2,969	335	409	7,345
	94,862	**113,745**	**338,132**	**534,747**

The following table sets forth the average turnover days of our trade and bills payables for the periods indicated:

	Year ended 31 December			Six months ended 30 June
	2010	**2011**	**2012**	**2013**
Average turnover days of our trade and bills payables[(1)]	145.4	127.6	174.3	207.7

Note:

(1) Average turnover days of our trade and bills payables equal to the average of the opening and closing balances of trade and bills payables of the relevant year/period divided by cost of goods sold and multiplied by 365 days for the year ended 31 December 2010, 2011 and 2012, or 183 days for the six months ended 30 June 2013.

The average turnover days of our trade and bills payables decreased from 145.4 days for the year ended 31 December 2010 to 127.6 days for the year ended 31 December 2011. The average turnover days of our trade and bills payables increased significantly to 174.3 days for the year ended 31 December 2012 primarily as a result of our increased purchases of IC chips. It further increased to 207.7 days for the six months ended 30 June 2013 primarily because we have been able to manage the longer payment period to settle our trade and bills payables due to our relationship with our suppliers. We typically receive payments from our customers close to year end. Accordingly, we are able to fully settle our payments with our suppliers once our customers settle their balances with us. In addition, we may obtain short-term bank loans to cover urgent payments to our suppliers, if any. Despite the increase in our trade and bills payables average turnover days, during the Track Record Period, we did not experience any breach of the payment terms of suppliers' agreements that would materially and adversely affect our business and financial position.

Other Payables

The following table sets forth a breakdown of our other payables as at the dates indicated:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Payroll and welfare payables	16,113	21,222	27,327	23,885
Customers' deposits	13,498	13,048	18,748	10,042
Delivery and postage payables	3,851	5,431	9,953	13,293
Value-added tax payables	4,105	9,934	20,557	21,165
Other tax payables	891	921	894	1,540
Payables for property, plant and equipment	—	—	—	5,181
Other payables	1,516	1,206	4,971	2,172
	39,974	**51,762**	**82,450**	**77,278**

Payroll and welfare payables amounted to RMB16.1 million, RMB21.2 million, RMB27.3 million and RMB23.9 million as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively. Customer deposits amounted to RMB13.5 million, RMB13.0 million, RMB18.8 million and RMB10.0 million as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively. Delivery and postage payables amounted to RMB3.9 million, RMB5.4 million, RMB10.0 million and RMB13.3 million as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively. Value-added tax payables increased from RMB4.1 million as at 31 December 2010 to RMB9.9 million as at 31 December 2011, to RMB20.6 million as at 31 December 2012 and further increased to RMB21.2 million as at 30 June 2013 in line with increased turnover from the sales of our products in 2011 and 2012.

Government Grants

We received but not yet recognised the current portion of government grants of nil, RMB1.1 million, RMB3.0 million and RMB6.4 million as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively, from the relevant PRC local authorities as an incentive in relation to development of technical know-how relating to the development of smart cards and solutions services expected to be realised as our other income, expenses, gains or losses in the next 12 months. The related research and development costs were recognised in the profit or loss as other income, gains or losses when the research was completed and the related verification procedures were completed and approved by the PRC authorities. Such grants are subject to certain terms and conditions, including partial or complete forfeiture of the grant amount due to failure to complete certain research and development milestones.

In addition to the current portion of the government grants mentioned above, we received but not yet recognised government grants of RMB2.9 million, RMB4.4 million and RMB2.3 million as at 31 December 2010, 2011 and 2012, respectively, where we do not expect such government grants could be realised as our other income, expenses, gains or losses in the next 12 months as at the respective year end day. We had no non-current government grants as at 30 June 2013.

Derivative Financial Instruments

In 2011, our Group borrowed short-term bank loans denominated in Euro amounting to RMB143.1 million for the purpose of making dividend distributions in Euro to certain of our Group's shareholders. In order to limit the foreign currency risk exposure arising from our repayment of the loans upon maturity in 2012, we entered into foreign currency forward contracts simultaneously at around the times of the loan drawdown during the year ended 31 December 2011. We recorded fair value loss for the foreign currency forward contracts in the amount of RMB13.1 million as at 31 December 2011. We reversed such fair value loss in 2012 when we settled the forward contracts and used the contract proceeds in Euro to fully repay the aforesaid bank loans. This was a one-off transaction to limit our foreign currency exposure associated with the Euro-denominated bank loan, and we have not entered into foreign currency forward contracts for any other purpose during the Track Record Period and up to the Latest Practicable Date. For further details about the foreign currency forward contracts, please refer to Note 27 of the Accountants' Report in Appendix I to this prospectus.

CAPITAL EXPENDITURES

Historical Capital Expenditures

For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, we incurred capital expenditures in the amounts of RMB16.0 million, RMB17.7 million and RMB30.3 million and RMB28.9 million, respectively. The following table sets out our historical capital expenditures during the periods indicated:

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Plant and machinery	14,963	14,451	15,267	11,601
Furnitures, fixtures and equipment	903	1,269	854	1,656
Motor vehicles	—	361	—	318
Construction in progress	149	1,618	14,200	4,941
Buildings	—	—	—	10,406
Total	**16,015**	**17,699**	**30,321**	**28,922**

The capital expenditures incurred in the years ended 31 December 2010 and 2011 primarily related to upgrading and/or replacing plant and machinery. The capital expenditure incurred in the year ended 31 December 2012 and six months ended 30 June 2013 primarily related to plant and machinery and construction in progress for the expansion of our production facility in Zhuhai, Guangdong province.

Planned Capital Expenditures

As part of our future growth strategy, we are authorised to commit, and have committed to capital expenditures of RMB26.4 million as at 30 June 2013. We currently expect to incur approximately an additional RMB38.3 million in capital expenditures through the year ending 31 December 2013 primarily to be used in the acquisition of property, plant and equipment for our expansion plan.

We anticipate that our planned capital expenditures will be financed by private equity financing and bank loans. The estimated amounts of expenditures set out above may vary from the actual amounts of expenditures for a variety of reasons, including changes in market conditions, competition, and other factors.

Our current plan with respect to future capital expenditures is subject to change based on the evolution of our business plan, including potential acquisitions, the progress of our capital projects, market conditions and our outlook of future business conditions. As we continue to expand, we may incur additional capital expenditures. Our ability to obtain additional funding in the future is subject to a variety of uncertainties including our future results of operations, economic, political and other conditions in the PRC, PRC government policies relating to our industry and relevant rules and regulations in the PRC and Hong Kong regarding debt and equity financing. Other than as required by law, we do not undertake any obligation to publish updates of our capital expenditure plans. See "Forward-looking Statements" in this prospectus.

CONTRACTUAL COMMITMENTS

Capital Commitments

Our capital commitments primarily relate to the acquisition of property, plant and equipment and construction in progress. The following table sets forth a summary of our capital commitments as at the dates indicated:

	As at 31 December			As at 30 June	As at 30 September
	2010	**2011**	**2012**	**2013**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Capital expenditure contracted for but not provided for in respect of acquisition of property, plant and equipment	—	445	7,690	4,783	6,064
Capital expenditure authorised for but not contracted for in respect of acquisition of property, plant and equipment	—	—	12,284	21,615	15,820
Total	—	**445**	**19,974**	**26,398**	**21,884**

Operating Lease Commitments

During the Track Record Period, we leased a number of properties under operating leases, including representative offices. Leases are negotiated for a term of one to four years and rentals are fixed for an average of two years. The table below sets forth our future minimum lease payments payable under non-cancellable operating leases as at the dates indicated:

	As at 31 December			As at 30 June	As at 30 September
	2010	2011	2012	2013	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Within one year	1,579	1,725	2,432	3,028	2,280
After one year but within five years	1,966	928	733	160	79
Total	**3,545**	**2,653**	**3,165**	**3,188**	**2,359**

INDEBTEDNESS

Bank Loans

Our bank borrowings primarily consisted of short-term working capital loans. Our bank loans as at 31 December 2010, 2011, 2012 and 30 June 2013 and 30 September 2013, being the latest practicable date for the purpose of indebtedness statement, were as follows:

	As at 31 December			As at 30 June	As at 30 September
	2010	2011	2012	2013	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Bank borrowings					
— Fixed rate secured bank loans	33,426	143,103	—	—	—
— Variable rate unsecured bank loans	—	9,728	37,093	53,940	37,374
	33,426	152,831	37,093	53,940	37,374
Carrying amount repayable within one year	33,426	143,103	29,411	47,400	31,337
Carrying amount that contains a repayment on demand clause repayable					
— within one year	—	2,046	2,046	2,046	2,046
— between one to two years	—	2,046	2,046	2,046	2,046
— between two to five years	—	5,636	3,590	2,448	1,945
Amounts shown under current liabilities	**33,426**	**152,831**	**37,093**	**53,940**	**37,374**

The fixed rate secured bank loans as at 31 December 2010 and 2011 were denominated in the USD and EUR and the variable rate unsecured bank loans were denominated in RMB, HKD, USD and EUR. Our bank borrowings bore fixed interest rates ranging from 0.87% to 3.09% per annum for the year ended 31 December 2010 and from 4.28% to 4.38% per annum for the year ended 31 December 2011, and variable interest rates at 4.0% per annum at 31 December 2011, ranging from 1.9% to 4.0% per annum at 31 December 2012 and ranging from 1.8% and 4.0% per annum at 30 June 2013. We primarily borrow bank loans for our working capital purposes and we borrow short-term foreign currency—denominated bank loans to make payments to our overseas suppliers and for dividend distributions purposes. We have implemented general borrowing guidelines pursuant to which our chief financial officer, with the assistance from our accounting and finance department, would monitor our cash position, bank borrowing rates and the fluctuation of the exchange rates of RMB against other foreign currencies regularly. Borrowing decisions on bank loans are generally made when prevailing interest rates are favourable. Approval from our Board of Directors is required if and when we set up a new credit facility, and our Board of Directors has designated one or more of our executive Directors to approve our borrowing decision if the amount of each draw-down is within the applicable credit facility limit. We generally repay loans in accordance with their terms.

The secured bank loans as at 31 December 2011 were secured by certain of our Group's bank deposits. All of the assets pledged have been released upon settlement of the relevant borrowings during the year ended 31 December 2012.

At 31 December 2010, 2011 and 2012 and 30 June 2013, certain of our unsecured bank loans in the amounts of zero, RMB9.7 million, RMB7.7 million and RMB6.5 million, respectively, were guaranteed by the Government of the Hong Kong Special Administrative Region and Chairman Lu. As at 30 September 2013, certain of our unsecured bank loans in the amount of RMB6.0 million were guaranteed by the Government of the Hong Kong Special Administrative Region and Chairman Lu.

The guarantee given by Chairman Lu was fully released upon the settlement of the bank loans in October 2013.

As at 30 September 2013, being the latest practicable date for the purpose of this indebtedness statement in this prospectus, we had unutilised available credit facilities of RMB141.9 million. Our Directors confirm that our Group did not experience any difficulty in obtaining credit facilities, withdrawal of facilities, default in payment of bank borrowings or breach of covenants, or cancellation of customer order or customer default during the Track Record Period and up to the Latest Practicable Date.

Loan from/Amounts due to Related Companies

The following table sets forth the balance of loan from/amounts due to related companies as at the dates indicated:

	At 31 December			At 30 June	At 30 September
	2010	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*
Dividend payable to GIHL[(1)]	—	—	—	—	40,359
Dividend payable to Gemplus[(1)]	—	—	9,750	3,874	18,269
Amount due to Gemplus[(2)]	1,499	1,499	1,499	—	—
Loan from a subsidiary of Gemalto[(3)]	—	26,000	—	—	—
	1,499	27,499	11,249	3,874	58,628

Notes:

(1) Dividend payable to GIHL as at 30 September 2013 was unsecured, interest-free, denominated in HKD and expected to be repaid prior to Listing. Dividend payable to Gemplus at 31 December 2012 was unsecured, interest-free, payable within six months from 31 December 2012, denominated in HKD and was fully paid in June 2013. Dividend payable to Gemplus as at 30 June 2013 and 30 September 2013 was unsecured, interest-free, denominated in HKD and expected to be repaid prior to Listing.

(2) The amount was interest-free and repayable on demand. During the six months ended 30 June 2013, Gemplus agreed to release the repayment of this amount. Such release was recognised as a contribution to our Group.

(3) At 31 December 2011, the Group has an outstanding balance of RMB26.0 million due to Gemalto Shanghai, which was arranged through an entrusted loan agreement administrated by a bank with a term of 18 months, which carries interest at 0.01% per annum and was unsecured. It was fully repaid in 2012.

Share Repurchase Obligations

As at 30 September 2013, our Group had outstanding share repurchase obligations representing the redemption shares held by BOCI Investment with principal amount of RMB187.0 million, which will be terminated upon Listing.

Disclaimer

Except as disclosed above, as at 30 September 2013, being the latest practicable date for determining our indebtedness, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Our Directors confirm that there has not been any material change in our indebtedness and contingent liabilities since 30 September 2013, except that we fully repaid the outstanding amount of approximately HK$7.0 million under one of our credit facilities on 29 October 2013.

CONTINGENT LIABILITIES

As at 30 September 2013, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group.

The Directors have confirmed that there has not been any material change in the contingent liabilities of our Group since 30 September 2013.

LISTING EXPENSES

We incurred approximately RMB3.9 million in expenses for the Global Offering and Listing during the Track Record Period, and expect to incur an additional RMB6.3 million up to 30 September 2013 in expenses and expect to incur an additional RMB8.7 million in expenses until the completion of the Global Offering and Listing. Total listing expenses of RMB35.8 million in relation to the issue of new Shares, including underwriting commission, which assumes an Offer Price of HK$5.10 per Offer Share, representing the mid-point of the indicative offer price range, are expected to be capitalised. Our Directors would like to emphasize that such cost is a current estimate for reference only, and the final amount to be recognised to the statement of comprehensive income of our Group or to be capitalised is subject to adjustment based on audit and the then changes in variables and assumptions. We do not expect these expenses to have a material impact on our business and results of operations for the year ending 31 December 2013.

FINANCE COST ON SHARE REPURCHASE OBLIGATIONS

The share repurchase obligations under the Shareholders Agreement are classified as financial liabilities and carried at amortised cost, using the effective interest method. The related cost are recorded as finance cost in profit or loss. Up to the Latest Practicable Date, the finance cost in respect of these share repurchase obligations of our Group was approximately RMB11 million, which is charged to profit and loss. As such finance cost is of non-cash nature, we do not expect such notional finance cost to have a material impact on our business and working capital for the year ending 31 December 2013.

The carrying value of the share repurchase obligations at the date prior to the Listing, which represent the aggregate of the principal of RMB187 million and the relevant accumulated finance costs incurred up to the date prior to the Listing will be reclassified to the equity but not through profit and loss of the Company upon the Listing, when the share repurchase obligation is terminated, which have no impact on the net assets value of our Group upon Listing.

FINANCIAL RATIOS

	Year ended/as at 31 December			Six months ended/as at 30 June
	2010	2011	2012	2013
Net profit margin(1)	15.0%	10.8%	17.0%	15.0%
Current ratio(2)	214.9%	120.0%	125.6%	124.1%
Quick ratio(3)	175.2%	94.9%	95.8%	100.0%
Return on assets(4)	11.8%	9.2%	16.3%	8.3%
Return on equity(5)	20.0%	32.7%	53.9%	29.4%
Interest coverage ratio(6)	N/A	55	21	186
Net debt to equity(7)	N/A	107.5%	2.9%	N/A
Gearing ratio(8)	13.1%	122.6%	22.6%	20.9%

Notes:

(1) Net profit margin equals our net profit after tax divided by turnover for the year/period.

(2) Current ratio equals our current assets divided by current liabilities as at the end of the year/period.

(3) Quick ratio equals our current assets less inventories divided by current liabilities as at the end of the year/period.

(4) Return on assets equals net profit for the year/period divided by total assets as at the end of the year/period.
(5) Return on equity equals net profit for the year/period divided by total equity amounts as at the end of the year/period.
(6) Interest coverage ratio equals profit before interest and tax of one year/period divided by interest expenses of the same year/period.
(7) Net debt to equity ratio equals net debt divided by total equity as at the end of the year/period. Net debt includes all interest-bearing bank loans and loans from/amounts due to related parties, net of cash and cash equivalents.
(8) Gearing ratio equals total debt divided by total equity as at the end of the year/period. Total debt includes all interest-bearing bank loans and loans from/amounts due to related parties.

Analysis of Key Financial Ratios

Net Profit Margin

Our net profit margin decreased from 15.0% for the year ended 31 December 2010 to 10.8% for the year ended 31 December 2011 and increased to 17.0% for the year ended 31 December 2012. We recorded a fair value loss of foreign currency forward contracts for the year ended 31 December 2011 and subsequently recorded a fair value gain of the same amount for the year ended 31 December 2012 as a reversal of the aforesaid fair value loss when we settled the forward contracts in 2012. Excluding the fair value gain/loss for the years ended 31 December 2011 and 2012, our net profit margin was 13.8% for the year ended 31 December 2011 and 15.1% for the year ended 31 December 2012. Our net profit margin (excluding fair value changes) declined in 2011 primarily due to a decline in our gross profit margin. Although our gross profit margin declined further in 2012, our cost control measures implemented helped us restore our net profit margin. Our net profit margin was 15.0% for the six month ended 30 June 2013, which was comparable to that for the year ended 31 December 2012 excluding fair value gain.

Current Ratio and Quick Ratio

The decrease in current ratio from 214.9% as at 31 December 2010 to 120.0% as at 31 December 2011 was primarily as a result of a substantial increase in current liabilities primarily due to increased bank borrowings for the purpose of, among others, making dividend distribution to certain of our Group's shareholders in 2011. The increase in current ratio to 125.6% as at 31 December 2012 was attributable to an increase in current assets in the form of inventories, trade and bills receivables and other financial assets as a result of our business expansion and our increased sales, which increased at a faster pace than our current liabilities. Our current ratio remained relatively stable at 124.1% as at 30 June 2013.

Our quick ratio decreased substantially from 175.2% as at 31 December 2010 to 94.9% as at 31 December 2011 primarily as a result of a substantial increase in current liabilities due to increased bank borrowings and trade and bills payables. It remained relatively stable for the years ended 31 December 2011 and 2012 and the six months ended 30 June 2013.

Return on Assets and Return on Equity

Our return on assets ratio decreased from 11.8% for the year ended 31 December 2010 to 9.2% for the year ended 31 December 2011 primarily as a result of a decrease in our net profit for the year as well as our declined cash balance. Return on assets ratio increased to 16.3% for the year ended 31 December 2012 primarily as the increase in our profits exceeded the growth of our asset base. Our return on assets ratio was 8.3% for the six months ended 30 June 2013. On an annualised basis, our return on assets ratio was 16.6%, which was comparable to that for the year ended 31 December 2012.

Our return on equity ratio increased from 2010 to 2011 primarily due to a smaller decrease in our net profit relative to the decrease in our equity balance as a result of our dividend payment in 2011. Our return on equity ratio increased further in 2012 primarily due to a larger increase in our net profit relative to our equity balance as a result of more effective cost control measures we implemented in 2012. Our return on equity ratio was 29.4% for the six months ended 30 June 2013. On an annualised basis, our return on equity ratio was 58.8%. The slightly higher return on equity was primarily due to a greater increase in our profit relative to a slight increase in our equity balance.

Net Debt to Equity Ratio and Gearing Ratio

Our net debt to equity ratio increased significantly to 107.5% as at 31 December 2011 from a net cash position as at 31 December 2010 mainly because of an increase in bank borrowings from RMB33.4 million as at 31 December 2010 to RMB152.8 million as at 31 December 2011 and a decrease in our total equity. We achieved a net cash position in 2012 and the six months ended 30 June 2013.

Our gearing ratio increased substantially from 13.1% as at 31 December 2010 to 122.6% as at 31 December 2011 primarily due to an increase in bank loans to finance our working capital and a decrease in our total equity as a result of dividend distributions. It decreased to 22.6% as at 31 December 2012 primarily as a result of a substantial decrease in our bank borrowings. Our gearing ratio decreased slightly to 20.9% as at 30 June 2013.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

DISTRIBUTABLE RESERVES

As at 30 June 2013, we had distributable reserves representing retained profits of the Company of RMB385,000, which is available for distribution to our equity holders.

DIVIDEND POLICY

The payment and the amount of any dividends, if paid, will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment and amount of dividends will be subject to our discretion.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

Our Group has distributed dividends of nil, RMB167.4 million, RMB48.7 million and RMB19.7 million for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively, to the then equity holders of our Group. In addition, on 1 July 2013, our Group declared dividends of RMB72.0 million for the year ended 31 December 2012. All declared and unpaid dividends will be fully settled prior to the Listing through our cash generated from operations. Subject to the factors described above, our Board of Directors intends to recommend at the relevant shareholders' meetings an annual dividend of no less than 20% of our net profit available for distribution to the Shareholders in the foreseeable future.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position since 30 June 2013 and there is no event since 30 June 2013 which would materially affect the information shown in the Accountants' Report.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of our unaudited pro forma adjusted consolidated net tangible assets is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on our consolidated net tangible assets as at 30 June 2013 as if the Global Offering had taken place on that date.

Our unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as at 30 June 2013 or at any future dates following the Global Offering. It is prepared based on our audited consolidated net tangible assets as at 30 June 2013 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below:

	Audited consolidated net tangible assets of our Group attributable to owners of our Company as at 30 June 2013(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets of our Group	Unaudited pro forma adjusted consolidated net tangible assets of our Group per Share(3)	
	RMB'000	RMB'000	RMB'000	RMB	HK$(4)
Based on the Offer Price of HK$4.52 per Share	276,077	667,892	943,969	1.33	1.68
Based on the Offer Price of HK$5.67 per Share	276,077	842,587	1,118,664	1.58	2.00

Notes:

(1) The audited consolidated net tangible assets of our Group as at 30 June 2013 is extracted from Accountants' Report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 200,000,000 Shares at the Offer Price range of HK$4.52 and HK$5.67 per Share, after deduction of the underwriting fees and other related expenses payable by our Company. No account has been taken of the Shares which may be allotted and issued upon to the exercise of the Over-allotment Option or the options granted under the Pre-IPO Share Option Scheme or any options that may be granted under the Share Option Scheme, or any Shares which may be repurchased by our Company pursuant to the Repurchase Mandate. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of RMB0.79 to HK$1.00, which was the rate prevailing on 15 November 2013 as set by the PBOC. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after making the adjustments referred to in the preceding paragraph and on the basis that a total of 709,770,603 Shares which represents 509,770,603 equivalent number of Shares, taking consideration of the effect of the subdivision of shares and Capitalisation Issues as mentioned in "Information about the Company — 3A. Resolutions in writing of the Shareholders passed on 28 October 2013" and "Information about the Company — 3B. Resolutions in writing of the Shareholders passed on 15 November 2013", respectively, in Appendix IV, outstanding at 30 June 2013 and 200,000,000 Shares to be issued under the Global Offering. It does not take no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or the options granted under the Pre-IPO Share Option Scheme or any options that may be granted under the Share Option Scheme, or any Shares which may be repurchased by our Company pursuant to the Repurchase Mandate and the effect of the Subscription Agreement dated 3 July 2013 entered into between our Company and BOCI Investment (the "Subscription Agreement").

(4) The unaudited pro forma adjusted consolidated net tangible assets of our Group per Share is converted from Renminbi into Hong Kong dollars at the rate of RMB0.79 to HK$1.00, which was the rate prevailing on 15 November 2013 as set by PBOC. No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

(5) No adjustment has been made to the audited consolidated net tangible assets of our Group attributable to the owners of our Company as at 30 June 2013 to reflect any trading result or other transaction of our Group entered into subsequent to 30 June 2013. In particular, the unaudited pro forma adjusted consolidated net tangible assets in the table above have not been adjusted to show the effect of the Subscription Agreement and the interim dividends of RMB71,971,792 declared on 1 July 2013 (the "interim dividends").

The table below has been adjusted for illustrative purpose after taking into the account of the Subscription Agreement and the interim dividends. The unaudited pro forma adjusted consolidated net tangible assets per Share after taking into account of the Subscription Agreement and the interim dividends is arrived at on the basis that 800,000,000 Shares expected to be in issue immediately following the Global Offering. It does not take into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or the options granted under the Pre-IPO Share Option Scheme or any options that may be granted under the Share Option Scheme, or any Shares which may be repurchased by our Company pursuant to the Repurchase Mandate.

	Unaudited pro forma adjusted consolidated net tangible assets of the Group taking into account of the Subscription Agreement and the interim dividends	Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share taking into account of the Subscription Agreement and the interim dividends	
	RMB'000	RMB	HK$(Note)
Based on the Offer Price of HK$4.52 per Share	1,058,997	1.32	1.67
Based on the Offer Price of HK$5.67 per Share	1,233,692	1.54	1.95

Note: The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share taking into account of the Subscription Agreement and the interim dividends is converted from Renminbi into Hong Kong dollars at the rate of RMB0.79 to HK$1.00, which was the rate prevailing on 15 November 2013 as set by PBOC. No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various types of market risks in the ordinary course of our business, including credit risks, liquidity risks, fluctuations in interest rates and foreign currency risks. We manage our exposure to these and other market risks through regular operating and financial activities.

Credit Risk

Our Group's and our Company's maximum exposure to credit risk which will cause a financial loss to our Group and our Company due to failure to perform an obligation by the counterparties in the event of the counterparties failure to perform their obligations at the end of each period during the Track Record Period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated statements of financial position of our Group and statements of financial position of our Company, respectively.

Our Group's credit risk is primarily attributable to its trade, bills and other receivables. In order to minimise the credit risk, the management of our Group continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, our Group reviews the recoverable amount of each individual debt at the end of each period during the Track Record Period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that our Group's credit risk is significantly reduced.

The credit risk on pledged bank deposits and bank balances is minimal as such amounts are placed in banks with good reputation.

Our Group had concentration of credit risk of 49.3%, 67.0%, 80.3% and 85.5% of the total trade and bills receivables as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively, which was due from customers engaged in the banking industry.

Liquidity Risk

The management of our Group has built an appropriate liquidity risk management framework for the management of our Group's short, medium and long-term funding and liquidity management requirements. Our Group manages liquidity risk by maintaining banking facilities and by continuously monitoring forecasted and actual cash flows and the maturity profiles of its financial liabilities.

The following table details our Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which our Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

In addition, the following table details our Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of each period during the Track Record Period. The liquidity analysis for our Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each period during the Track Record Period:

Financial liabilities	Weighted average interest rate	On demand	Less than 3 month	Over 3 months but not more than 6 months	Over 6 months but not more than 1 year	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Our Group							
At 31 December 2010							
Non-derivative financial liabilities							
Trade and bills payables	—	—	27,045	27,611	40,206	94,862	94,862
Other payables	—	—	4,483	884	—	5,367	5,367
Amounts due to related companies	—	1,499	—	—	—	1,499	1,499
Bank loans							
— fixed rate	1.11	—	29,782	—	4,023	33,805	33,426
		1,499	61,310	28,495	44,229	135,533	135,154
At 31 December 2011							
Non-derivative financial liabilities							
Trade and bills payables	—	—	40,195	23,829	49,721	113,745	113,745
Other payables	—	—	4,364	2,273	—	6,637	6,637
Loan from related company	0.01	—	—	—	26,004	26,004	26,000
Amount due to a related company	—	1,499	—	—	—	1,499	1,499
Bank loans							
— fixed rate	4.34	—	—	—	149,154	149,154	143,103
— variable rate	4.00	9,728	—	—	—	9,728	9,728
		11,227	44,559	26,102	224,879	306,767	300,712
Derivative — gross settlement							
Foreign currency contracts							
— inflow	—	—	—	—	(134,136)	(134,136)	(134,136)
— outflow	—	—	—	—	147,194	147,194	147,194
		—	—	—	13,058	13,058	13,058

Financial liabilities	Weighted average interest rate	On demand	Less than 3 month	Over 3 months but not more than 6 months	Over 6 months but not more than 1 year	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2012							
Non-derivative financial liabilities							
Trade and bills payables	—	—	170,806	167,326	—	338,132	338,132
Other payables	—	—	4,850	5,302	4,772	14,924	14,924
Amounts due to related companies	—	1,499	—	9,750	—	11,249	11,249
Bank loans							
— variable rate	2.40	7,682	21,949	7,676	—	37,307	37,093
		9,181	197,605	190,054	4,772	401,612	401,398
At 30 June 2013							
Non-derivative financial liabilities							
Trade and bills payables	—	—	210,972	323,775	—	534,747	534,747
Other payables	—	—	16,154	2,322	2,170	20,646	20,646
Amounts due to related companies	—	—	—	—	3,874	3,874	3,874
Bank loans							
— variable rate	2.40	6,540	26,980	15,995	5,057	54,572	53,940
		6,540	254,106	342,092	11,101	613,839	613,207
Our Company							
At 31 December 2010							
Non-derivative financial liabilities							
Other payables	—	—	41	—	—	41	41
Amounts due to subsidiaries	—	88	—	—	—	88	88
		88	41	—	—	129	129
At 31 December 2011							
Non-derivative financial liabilities							
Other payables	—	—	26	—	—	26	26
Amounts due to subsidiaries	—	140	—	—	—	140	140
		140	26	—	—	166	166
At 31 December 2012							
Non-derivative financial liabilities							
Other payables	—	—	26	—	—	26	26
Amount due to a related company	—	—	—	9,750	—	9,750	9,750
Amounts due to subsidiaries	—	146	—	—	—	146	146
		146	26	9,750	—	9,922	9,922

Financial liabilities	Weighted average interest rate	On demand	Less than 3 month	Over 3 months but not more than 6 months	Over 6 months but not more than 1 year	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 30 June 2013							
Non-derivative financial liabilities							
Other payables	—	—	20	—	—	20	20
Amount due to a related company	—	—	—	—	3,874	3,874	3,874
Amounts due to subsidiaries	—	3,981	—	—	—	3,981	3,981
		3,981	20	—	3,874	7,875	7,875

Bank loans with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 December 2011 and 2012 and 30 June 2013, the aggregate undiscounted principal amounts of these bank loans amounted to RMB9.7 million, RMB7.7 million and RMB6.5 million, respectively. Taking into account our Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that such bank loans will be repaid three years after the end of each period during the Track Record Period in accordance with the scheduled repayment dates set out in the loan agreements. If such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreement, the aggregate principal and interest cash outflows of our Group will be as follows:

	Weighted average interest rate	Less than 1 year	Over 1 year but not more than 2 years	Over 2 years but not more than 3 years	Over 3 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2011							
Bank loans							
— variable rate	4.00	2,504	2,325	2,243	3,727	10,799	9,728
At 31 December 2012							
Bank loans							
— variable rate	4.00	2,325	2,243	2,162	1,567	8,297	7,682
At 30 June 2013							
Bank loans							
— variable rate	4.00	2,244	2,163	2,083	508	6,998	6,540

Interest Rate Risk

Our Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings.

Our Group is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly interest bearing pledged bank deposits, bank balances and bank loans at variable interest rates. Our Company has no significant interest rate risk exposure. Our Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing bank balances and bank loans at variable rates at the end of each period during the Track Record Period and assumed that the amount of assets and liabilities outstanding at the end of each of the period for the Track Record Period was outstanding for the whole year. 50 basis points was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates throughout the Track Record Period. The management does not anticipate a decrease in interest rate in the next financial year having regard to the trends in market interest rates and global economic environment. Accordingly, sensitivity analysis on a decrease in interest rates is not presented.

If interest rates on pledged bank deposits, bank balances and bank loans had been 50 basis points higher and all other variables were held constant, the potential effect on profit for the year/period is as follows:

	Year ended 31 December			Six month ended 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Increase in profit for the year/period	220	63	25	162

Foreign Currency Risk

Several subsidiaries of our Company have foreign currency sales and purchases, which expose our Group to risk of USD. The percentage of our Group's sales and purchases that are denominated in USD, currency other than the functional currency of the relevant Group companies are as follows:

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	%	%	%	%
Sales	1.4	2.1	1.7	0.4
Purchases	24.7	28.4	26.1	7.4

The carrying amounts of our Group's and our Company's foreign currency denominated monetary assets and monetary liabilities at the end of each period are as follows:

	Assets At 31 December			*Assets* at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Our Group				
HKD	5,766	13,228	2	3
USD	8,322	4,247	4,965	2,548
RMB	—	3,975	659	1,051
EUR	231	149	206	154
Japanese Yen ("**JPY**")	—	—	—	1
Our Company				
HKD	—	—	9,750	3,874
USD	160	153	152	149
EUR	—	149	150	146

	Liabilities At 31 December			*Liabilities* at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Our Group				
HKD	55	1,166	12,665	14,752
USD	67,515	38,281	66,563	56,092
RMB	—	2,151	—	—
EUR	498	143,186	678	—
JPY	—	—	—	1,071
Our Company				
HKD	—	—	9,750	3,874
USD	88	140	146	3,981

In addition, our Group is exposed to foreign currency risk as a result of inter-group balances denominated in currencies other than the respective functional currencies of the relevant Group companies, as follows:

	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from (to) group companies				
USD	13,744	19,567	21,003	26,195
USD	(13,744)	(19,567)	(21,003)	(26,195)
RMB	(8,610)	(30,187)	(17,280)	(41,996)

The sensitivity analysis below includes our Group's and our Company's outstanding foreign currency denominated monetary items as well as our Group's intra-group outstanding balances where the denomination of the balances is in a currency other than the functional currency of the respective Group companies at the end of each of period during the Track Record Period and has been determined based on the exposure to exchange rates against the functional currency of relevant Group companies. For a 5% weakening of these currencies against the functional currency of relevant group companies and all other variables being held constant, our Group's and our Company's profit/loss for the year/period is as follows:

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Our Group				
(Decrease) increase in profit for the year/period				
HKD	(286)	(606)	633	737
USD	2,960	1,689	3,067	2,677
RMB	431	1,418	831	2,047
EUR	13	7,152	24	(8)
JPY	—	—	—	54
Our Company				
(Decrease) increase in profit/(increase) decrease in loss				
USD	(3)	(1)	—	192
EUR	—	(7)	(8)	(7)

There would be an equal and opposite impact on the profit for the year/period where the respective currencies strengthens against the functional currency of the relevant Group companies by 5%.