Dutech Holdings Limited

2016
ANNUAL REPORT

TABLE OF **CONTENTS**

ABOUT DUTECH

Incorporated in Singapore on 2 November 2006, Dutech Holdings Limited (the "Company" or "Dutech") and its subsidiaries (the "Group") has developed into a global leading manufacturer of high security products. The Group's UL- and CEN-certified products include ATM safes, banking safes, commercial safes, and cash handling systems. The Group also designs and manufactures intelligent terminals including Ticketing and Vending Machines ("TVM") and parking machines.

The Group's headquarters is located in Shanghai, which serves as the center for research and development, marketing, customer service, corporate development, and financial planning. Its manufacturing and service facilities are strategically located in China, the Philippines, Germany, the UK and the USA.

In recognition of its outstanding capabilities, the Group has received numerous awards, amongst them the "200 Best Companies under US$1 Billion in Sales" by Forbes Asia Magazine in 2008, the "Best 50 Chinese Companies in the next 30 Years" by Founder Magazine in 2008, the "Quality Supplier" by Scientific Games in 2014, the "21th Century China best business model selection" in 2014, and the "Best Suppliers" by Wincor Nixdorf, the "Golden Award" by Diebold in 2013, 2014 and 2015.

The Group is proud of its strong research and development capabilities, vertically integrated solutions and large-scale operations, which enable it to offer high quality products to its customers at competitive prices with demanding lead time. The Group has a global market presence in all major countries. Our reputable customers include Hitachi, Diebold-Nixdorf, Liberty Safe & Security Products Inc., Tractor Supply Co., Glory Ltd., SGI, Aldi and Deutsche Bahn.

The Company was listed on the Mainboard of the Singapore Exchange on 2 August 2007.

DEAR SHAREHOLDERS

On behalf of the Board of Directors of Dutech Holdings Limited ("Dutech" or the "Group"), I am pleased to present the Group's annual report for the financial year ended 31 December 2016 ("FY2016").

The past year was an eventful one teemed with uncertainties and challenges. The world saw many momentous geopolitical events, including Britain's referendum outcome to exit the European Union and the US election. On the economic front, although the US economy has been growing at a sustained pace, China has cut its growth forecast with Europe continuing its fragile, unstable climb towards recovery.

Even in the face of a volatile macroeconomic environment and increasing headwinds from cost pressures, the Group delivered yet another creditable performance, registering both financial and operational growth.

FINANCIAL REVIEW

In FY2016, the Group recorded revenue growth of 16.5% to RMB1,390.2 million compared to RMB1,193.7 million for the financial year ended 31 December 2015 ("FY2015") due to higher contributions from our two business segments. In particular, the Business Solutions Segment revenue was up by a significant 45.1% to RMB540.5 million compared to the previous year. This is attributed to the Group's acquisition of Krauth Technology GmbH ("Krauth"), Metric Group Holdings Ltd. ("METRIC UK") and certain assets from METRIC mobility solutions AG ("METRIC AG") which brought in sales of RMB178.3 million in the year. The High Security Business Segment revenue also rose by RMB28.4 million to RMB849.7 million, driven by Automated Teller Machines ("ATM") sales growth.

Notwithstanding the increase in cost of sales stemming from the higher revenue, the Group gross margin improved to 29.2% from 28.6% in FY2015, a resultant of higher gross margin from the Business Solutions Segment which increased to 24.9% from 21.0% due to a change in product mix. Gross margin of the High Security Segment remained relatively stable at 32.0% as compared to 32.1% in FY2015.

Profitability wise, the Group's profit before tax increased by 7.4% to RMB160.5 million while net profit after tax improved 6.9% to RMB126.1 million. Earnings per share was up from RMB33.10 cents in FY2015 to RMB35.37 cents in FY2016.

The Group's financial position continues to remain strong with a net asset position of RMB825.9 million with net asset value per share of RMB2.32 Yuan as at 31 December 2016 compared to RMB1.95 Yuan in the previous year. Owing to the net profit generated during the year, shareholders' equity increased to RMB825.9 million from RMB693.8 million. In terms of cash flows, the Group generated net cash from operating activities of RMB95.1 million and ended the year with a robust cash and cash equivalents position RMB270.0 million compared to RMB240.2 million in the previous period.

CHAIRMAN'S MESSAGE

BUSINESS REVIEW

Dutech is a global leading manufacturer in the high security equipment industry. As a leading Original Design Manufacturer ("ODM") and the largest producer in Asia in terms of sales and production capacity, we supply a wide range of high security products such as ATM safes, bank safes, gun safes, commercial safes, and cash handling systems for both commercial and consumer uses. Additionally, the Group designs and manufactures intelligent terminals. We have established presence in all major markets including the US, Europe, China and the Asia-Pacific region. Supported by our production facilities in Germany and China which are Underwriters Laboratories ("UL") and CEN certified, we also have warehousing, sales and service offices in the US and the Philippines.

ACQUISITION TO BOOST CAPABILITIES AND UNLOCK FURTHER SYNERGIES

Dutech continued on our acquisition trail to further strengthen our capabilities and expand our customer base. Earlier in the year, we acquired Krauth, a German-based developer and solutions provider of auto-ticketing machines and ticket validators, to realise synergies for our intelligent terminal business.

In October 2016, we completed another acquisition with the purchase of a 100% shareholding interest in METRIC UK, and certain assets from METRIC AG which was renamed Almex GmbH ("Almex").

Established in 1978 with operations in Hannover, Germany, METRIC AG is a solutions provider of ticketing systems and mobile data collection systems. METRIC UK, based in Swindon, United Kingdom, produces parking machines and was acquired by METRIC AG in 1999.

With the acquisition, Dutech will be able to leverage on the advanced software design capabilities and expanded customer base of METRIC AG and METRIC UK.

FOCUS ON R&D AND STRONG COMMITMENT TO QUALITY

R&D and quality remains important cornerstones of our business as we continuously strive to deliver higher security standards and develop best-in-class smart solutions for ticketing and vending machines and parking machine products.

Our commitment to R&D is reflected in our expenditures where we increased our R&D expenses by 21.4% in FY2016 compared to FY2015. Our R&D efforts borne fruit in the year with the award of 22 new patents.

We have also been boosting our quality management system and in the year, four additional models of our ATM safe were UL-certified and eight models of our ATM CEN safe were certified by ECBS (European Certificate Body). These certifications are widely accepted in the US and European markets for product quality and safety, and served as key criteria of customers when working with high security companies. Dutech was the first and remains one of the few safe manufacturers in Asia which is CEN IV-certified and UL-certified to date.

OUTLOOK AND FUTURE PLANS

The year ahead is anticipated to be yet another challenging one. Although the Organization for Economic Cooperation and Development has projected global economic growth of 3.3% for 2017, geo-political events including the US indications that it will adopt a more protectionist stance and the upcoming elections and referendums in France and Germany, will continue to cast uncertainties and possibly derail global trade. Nevertheless, we remain upbeat on the longer term prospects for our industry and have put in place a pipeline of strategic initiatives to capitalise on the growth opportunities.

NEW HIGH SECURITY PRODUCTION PLANT COMMENCED OPERATIONS

In 2014, we invested in a second production facility in Hai'an Development Zone of Nantong City, China, to manufacture high security products for our customers in Europe and the US. The plant, which commenced operations in 2016, raised

CHAIRMAN'S MESSAGE

our production capacity by 20% and has started contributing to our sales.

RAMP-UP OF E-COMMERCE SALES

E-commerce is an increasingly important sales channel for the Group as it afforded us access to the global market which holds significant potential. In the year, online sales of Format, one of our German subsidiaries, increased by 75% to Euro8.4 million compared to Euro4.8 million in 2015. We will intensify our efforts to ramp up e-commerce activities to further tap the global market demand, and to reach out to new customers for high security products.

NEW PRODUCT DEVELOPMENTS TO ADD-VALUE TO CUSTOMERS

The Group is developing a series of smart products, namely Smart Cube, Smart Fare and Smart Booth. Smart Cube and Smart Fare are self-payment ticketing systems used in public transportation while Smart Booth is a multifunctional interactive booth which provides information and assistance services for the banking and service industry. Embedded with the latest smart technology, these products will greatly improve our customers' efficiency as well as reduce their operational costs and their end-customer waiting time.

In addition, we are developing a new patented coin system. As compared to the previous system with the coin recycle and hopper features, the new coin system can intelligently recognise, store, transfer and change the coins by different size and type. This will help reduce the maintenance time, resulting in greater cost savings for our customers.

Going forward, the Group will continue to pursue our broad strategies of streamlining our global operations and boosting our value-add and one-stop capabilities to better meet our customers' needs. We will also continue to explore entry into new markets and to expand our product offerings so as to further strengthen our market leadership in high security and business solutions segments.

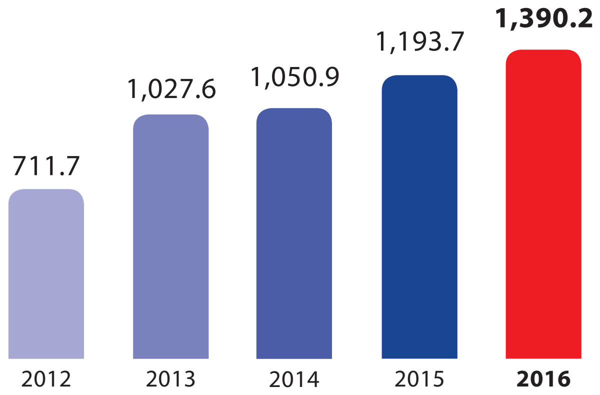
APPRECIATION

In closing, I like to express my appreciation to our loyal customers, business associates and suppliers for all their support and contribution, and our shareholders for their investment in our Group. I would also like to thank our Board, management team and staff for their commitment and dedication. I am confident that Dutech will be able to achieve sustainable and stable growth that creates long-term value with the continual support of all our stakeholders.

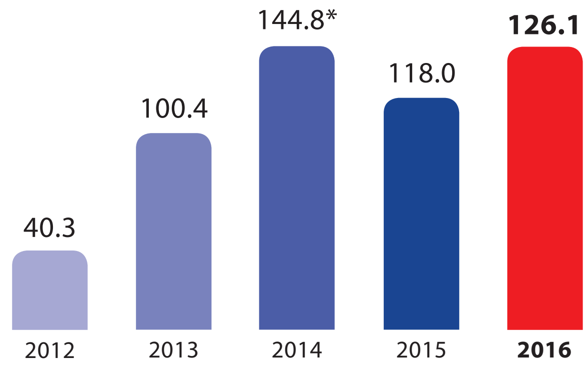
JOHNNY LIU
Chairman & CEO

FINANCIAL HIGHLIGHTS

REVENUE (RMB Million)

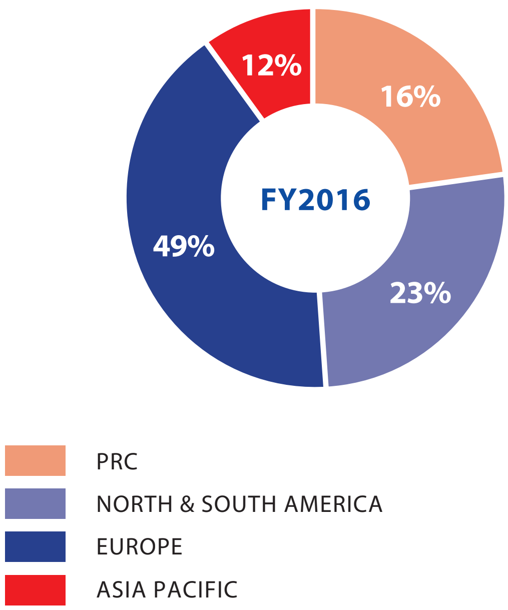


PROFIT ATTRIBUTABLE TO SHAREHOLDERS (RMB Million)

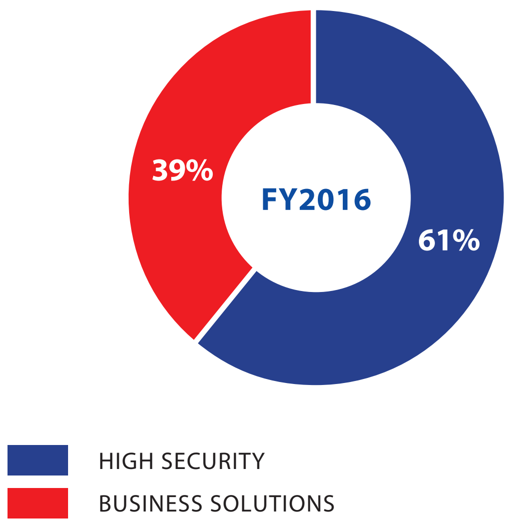


* Excluding the one-off bargain purchase of RMB55.9 million in FY2014 arising from the acquisition of DTMT, the profit attributable to shareholders was RMB88.9 million in FY2014.

REVENUE BY GEOGRAPHICAL REGION



REVENUE BY PRODUCTS



DIRECTORS' PROFILE

DR. JOHNNY LIU is the Executive Chairman, CEO and Controlling Shareholder of Dutech, and is responsible for the business direction, strategies and development of our Group. Dr. Liu was appointed as a Director on 2 November 2006 and was last re-elected on 28 April 2015. Prior to founding our Group, Dr. Liu has had 11 years of managerial experience, having worked in Thermal Dynamics Corp. USA as Vice President of International Operations from 1993 to 2001, and as Chief Operation Officer of Asia for Murray Inc. from 2001 to 2003. Dr. Liu obtained his bachelor and master degree from Shanghai Jiaotong University in 1983 and 1986 respectively and subsequently obtained his doctorate from Auburn University, Alabama, USA in August 1993. From 1999 to 2001, he was a guest professor in Shanghai Jiaotong University, and a registered Professional Engineer with "the State Board of Registration for Professional Engineers and Land Surveyors" in the state of California, USA. He has over 20 publications and co-invented 6 patents. In 2008, he was honored as "Top Ten Young Chinese Enterprisers" by Foreign and Overseas Chinese Affairs Office. Dr. Liu also serves as President of Nantong Overseas Chinese Entrepreneurs Association (南通市侨商会会长) and Chairman of Hi-Tech Committee of National Association of Thousand Talents Program (国家千人计划).

Dr. Liu is the brother of Mr. Liu Bin, Executive Vice-Chairman of the Board and a controlling shareholder of the Company.

MR. LIU BIN is the Executive Vice-Chairman of our Board of Directors. Mr. Liu was appointed as a Director on 26 March 2007 and was last re-elected on 28 April 2015. He is the Vice Chairman of Tri Star Inc. since 2005 and the contact person with the local regulatory and tax authorities in Nantong in relation to the regulatory compliance aspects of our business.

Prior to joining our Group, Mr. Liu was the General Manager of Tongya ReDianNengYuan Limited Company from 1997 to 2000, and was the General Manager of Nantong Wiedson from 2000 to 2002. Mr. Liu also sits on the board of directors of Nantong Wiedson Hi-Wits Precision Co., Ltd..

Mr. Liu is the brother of Dr. Johnny Liu, Executive Chairman and CEO of the Company and a controlling shareholder of the Company.

MR. TANG SEE CHIM was appointed as an Independent Director on 21 May 2007 and was last re-appointed on 28 April 2015. He is the Chairman of the Audit Committee and member of the Nominating Committee and Remuneration Committee of the Company. Mr. Tang is an advocate and solicitor of the Supreme Court of Singapore and is presently the consultant to the law firm of Messrs David Lim & Partners LLP.

He holds a BSc (Econ) (Hons) degree from the London School of Economics (University of London), and is a Barrister-at-law of the Middle Temple (London). He has co-authored three books entitled Directors' Duties and Liabilities, Your Rights as a Consumer, and Contract Law.

He also sits on the board of directors of City Developments Limited, a public company listed on Singapore Exchange Securities Trading Limited ("SGX-ST"). His other appointments include director of Wang Bian Pte Ltd. and honorary legal advisor to Ren Ci Community Hospital, Singapore Hospice Council and Nanyang Girls' High School.

Mr. Tang does not have any relationships including immediate family relationships with the Directors, the Company or its 10% shareholders as defined in the Code of Corporate Governance 2012.

MR. GRAHAM MACDONALD BELL was appointed as an Independent Director with effect from 4 June 2007 and was last re-elected on 27 April 2016. Mr. Bell is the Chairman of the Nominating Committee and member of Audit Committee and Remuneration Committee of the Company. He is Chairman of Graham Bell & Associates Pte Ltd., a boutique consultancy and private equity company and a director of Graham Bell & Associates Limited. Mr. Bell is also a director of a marine claims and average adjustments consultancy company.

Mr. Bell has more than 30 years of managerial experience and has managed public listed companies including Rothmans International Ltd. and its subsidiaries where he served as Chairman and Managing Director from 1993 to 2000. He previously served on the board of Singapore Government statutory board, Sentosa Development Corporation; the sports sub-committee of the Singapore Totalisator Board; and on the Executive Committee of the hospitality division of one of the largest property developers in Singapore.

Mr. Bell does not have any relationships including immediate family relationships with the Directors, the Company or its 10% shareholders as defined in the Code of Corporate Governance 2012.

MR. CHEN ZHAOHUI, GEORGE was appointed as an Independent Director with effect from 4 June 2007 and was last re-elected on 27 April 2016. He is the Chairman of the Remuneration Committee and member of Audit Committee and Nominating Committee of the Company. Mr. Chen was a manufacturing engineer with Thermal Components Inc. from 1992 to 1995. Subsequently, he joined Genie Industries Inc., a company in the business of producing material lifts, portable aerial work platforms, scissor lifts and self-propelled telescopic and articulated booms, as Senior Manufacturing Engineer. He was the Chief Representative of Genie Industries Shanghai Representative Office from 1997 to December 2009. In January 2010, he joined Trimble Navigation Limited and Trimble Electronic Products (Shanghai) Co., Ltd., a leading provider of advanced positioning solutions that maximize productivity and enhance profitability, as General Manager for China.

Mr. Chen obtained his Bachelor in Mechanical Engineering degree from Shanghai University in 1988, and subsequently pursued a Master of Science degree in Manufacturing Systems Engineering from Auburn University. Whilst in Auburn University, he published an article on "FEM (Finite Element Method) Modeling in Metal Cutting" for Manufacturing Review, an American Society of Mechanical Engineers publication. Mr. Chen also holds a Master of Business Administration (MBA) degree from Auburn University. Mr. Chen is actively involved in the Association of Equipment Manufacturers ("AEM"), an international trade and business development resource for companies that manufacture equipment, products and services used worldwide in the construction, agricultural, mining, forestry, and utility fields. Mr. Chen was elected as the Vice Chairman of the AEM China Advisory Committee in 2004.

Mr. Chen does not have any relationships including immediate family relationships with the Directors, the Company or its 10% shareholders as defined in the Code of Corporate Governance 2012.

DR. HEDDA JULIANA IM BRAHM-DROEGE was appointed as an Independent, Non-Executive Director with effect from 1 October 2014 and was re-elected as a Director on 28 April 2015. Dr. im Brahm-Droege is a member of the Remuneration Committee. She holds a doctoral degree in economics from the University of Bonn, Germany.

Dr. im Brahm-Droege is the co-founder and the Deputy Chairperson of the supervisory board of Droege International Group AG. Droege International Group AG (see: www.droege-group.com) is an independent Advisory and Investment Company. Furthermore, Dr. im Brahm-Droege is the Chairperson of the Advisory Board of the Rheingold Art Collection and she is a member of the Erich Gutenberg Association. In addition to that she holds various board positions in art related as well as charitable organizations.

Dr. im Brahm-Droege is the spouse of Mr. Walter P. J. Droege who is a former member of the Board of Directors and also an existing substantial shareholder of Dutech.

MR. CHRISTOPH HARTMANN is nominated by Droege International Group AG, which is a substantial shareholder of Dutech as a Non-Executive Director. The appointment was effective from 1 December 2011 and he was re-designated as an Independent Director on 30 September 2014. He was re-elected as a Director on 25 April 2014. He is a member of the Audit Committee of the Company. He holds a degree in Business Economics and has been working for Droege International Group AG, Düsseldorf (Germany) since 2007 where he is responsible for the portfolio management of Droege International Group AG's investments.

Mr. Hartmann has been the Vice Chairman of the Supervisory Board of METRIC mobility solutions AG (formerly Hoeft & Wessel AG), Hannover, a company listed in Germany until May 21, 2015.

From 1990 to 2006 Mr. Hartmann was an Executive Director of a major international bank based in Germany and was responsible for the portfolio and exit management of the industrial Equity Investments and Private Equity Funds Investments.

Mr. Hartmann does not have any relationships including immediate family relationships with the Directors, the Company or its 10% shareholders as defined in the Code of Corporate Governance 2012.

KEY MANAGEMENT

MR. WINSON CHEN WENKUN is our Chief Operating Officer and is responsible for the Group's business operations. Mr. Chen obtained his Masters in Engineering Machinery from Jilin University of Technology, China in 1991, and was awarded a Post-Experience Certificate in Engineering Business Management from University of Warwick, UK in 1998. He has been an accredited engineer with Fujian Personnel Bureau since 1994.

Mr. Chen has vast experience in the field of engineering and technology. Prior to joining the Group, he was the Chief Engineer of Linde (Germany)-Xiamen Forklift Truck Co., Ltd. from 1995 to 1999. Subsequently, he joined Shanghai Ingersoll-Rand (USA) Air Compressor Co., Ltd. as Technical Director from 1999 to 2001, and was the Vice President of Murray (USA) Inc. China Operation from 2001 to 2003.

MS. DONIA DONG JUNXIA is our acting Chief Financial Officer ("Acting CFO"), and she oversees the Dutech Group's financial functions including accounting, internal controls, financial and management reporting. Ms. Dong obtained her Bachelor of Economics with a major in audit from Beijing Economics University in 1990. She got postgraduate diploma in corporate finance and investment management from the University of Hong Kong in 2013. She has been a Certified Public Accountant with the Ministry of Finance of the People's Republic of China since 2001.

From 2006 to 2015, Ms. Dong worked as our Group Financial Controller. From 2003 to 2006, she worked in Mayway as Financial Controller. Prior to that, Ms. Dong was the Finance Director for Guangdong Huiyingtong Entertainment City from 1997 to 1999 and the Finance Manager for Shanghai Teck Hock SMEC Glassfibre Co., Ltd. from 1999 to 2000. She was CFO for TSI from 2000 to 2002.

MS. JESSICA SHI YI is our Vice President for International. She is responsible for global marketing & sales, the US & European business development and operations.

After graduating with Bachelor of Science and Technology in 1997, Ms. Shi worked at the Bank of China as Management Trainee. She left to pursue MBA from Fudan University in 2000. Subsequently, she joined Murray Inc.'s Shanghai Representative Office as Business Manager. She has been with the Group since 2003. From 2003 to 2015, Ms. Shi worked as Sales Director of our Group. She had attended Executive Educational Program from Wharton Business School, University of Pennsylvania in 2008.

MR. GE CHAO FENG is our Managing Director in charge of Asia operation included China facilities and Philippines plant. He is responsible for production, supply chain management, production organization, quality assurance, cost control, timely delivery and safety production etc. Mr. Ge obtained his Bachelors of Engineering in Henan University of Science and Technology in 1988. He graduated from Industrial Program for CMBA from Shanghai Jiaotong University in 2008.

Prior to joining our Group in 2002, Mr. Ge worked for Pingdingshan Xing Zhou Machinery Factory from 1988 to 2003 and held the positions as Technical Director and Chief Engineer. During this period, he was awarded as "Outstanding Young Technology Expert in Pingdingshan City" and his achievement in R&D won "Second Prize in Science Progress Reward".

MR. JIMMY TANG JIA MING is our Deputy General Manager responsible for IT, legal affairs, public relationships, administration and management of our facilities and equipment. Mr. Tang obtained his Bachelors in Business Administration from Baruch College in New York City, USA in 1999.

Prior to joining our Group in 2016, Mr. Tang worked for Jiangsu Dongjian Hi-Tech Materials Co., Ltd. as General Manager from 2013 to 2015. Prior to that, he worked as Director of Operation for JS VEIK Technology and Materials Co., Ltd. from 2010 to 2013 and Route Development Manager for Fracht FWO Inc. from 2003 to 2010.

MR. DAVID WEI YUNDE was our Chief Technology Officer ("CTO") and was responsible for the technology, research, development, and engineering management of both the safes and semiconductor manufacturing facilities in Nantong. Mr. Wei obtained his Graduation Certificate from Hefei Technical University in 1977. He has been an accredited senior engineer with the Shanghai Aviation Department since 1992.

Prior to joining our Group in 2003, he worked at Shanghai Automobile Electrics Co., Ltd. from 1980 to 2000, starting as a technician and rising through the ranks to become Chief Engineer. In recognition of his contributions in the automobile industry, he was awarded with a Class III of New Design from the Shanghai Economic Council in 1990, for his automobile component design.

Mr. Wei had resigned as CTO of the Company with effect from 1 July 2016 due to his retirement.

CORPORATE GOVERNANCE REPORT

The Board of Directors and Management of Dutech Holdings Limited (the "Company") are committed to continually enhancing shareholder value by maintaining high standards of corporate governance, business integrity and professionalism in all its activities.

The Company's corporate governance practices conform to and are compliant with the Code of Corporate Governance 2012 (the "Code") and the Listing Manual of Singapore Exchange Securities Trading Limited ("SGX-ST"). This Report sets out the corporate governance processes of the Company and its subsidiaries (the "Group") with specific reference to the principles of the Code.

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

The Company is led by an effective board comprising a majority of non-executive Directors. Each Director brings to the Board his skills, experience and insights, which together with strategic networking relationships, serves to further the interests of the Company. At all times, the Directors are collectively and individually obliged to act in good faith and consider the best interests of the Company.

The Board of Directors (the "Board") oversees the affairs of the Company and is accountable to the shareholders for the management of the Group's business and its performance. The Board works with Management to achieve this and the Management remains accountable to the Board.

The main responsibilities of the Board include the following:

- provide entrepreneurial leadership and guidance and put in place an effective management team;
- approve broad policies, set strategies and objectives of the Group;
- review and approve the financial performance of the Group including its quarterly and full year financial results announcements, annual audited financial statements, proposals of dividends and the Directors' Statement thereto;
- review at least annually the adequacy and effectiveness of the Group's risk management and internal control system; and
- approve business plans and annual budgets, major funding including capital management proposals, major investment and disposal proposals.

The approval of the Board is required for matters as follows:

(i) Matters in relation to the overall strategy and management of the Group;

(ii) Material changes to the Group's management and control structure;

(iii) Matters involving financial reporting and dividends;

(iv) Major/strategic acquisitions and disposal of investments not in the ordinary course of business; and

(v) Matters which require Board approval as specified under the Listing Manual of SGX-ST, Companies Act, Cap. 50 or other relevant laws and regulations.

To assist the Board to effectively discharge its oversight duties and functions, the Board has delegated certain duties to various Board committees. These committees, namely the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC") functions within clearly defined terms of reference and operating procedures, which are reviewed by the Board on a regular basis. The Board also closely monitors the effectiveness of each committee.

CORPORATE GOVERNANCE REPORT

The Board is scheduled to meet at least four times a year and where necessary, hold additional meetings to address significant issues that may arise. Important matters concerning the Group are also put to the Board for its decision by way of written resolutions. The Company's Constitution provides for meetings to be held via telephone conference.

The attendance of the Directors at Board and Board committees meetings held during financial year ended 31 December 2016 ("FY2016") are set out below:

Type of Meetings	Board	Audit Committee	Nominating Committee	Remuneration Committee
Total No. Held	4	4	1	1
Attendance				
Dr. Johnny Liu, Executive Chairman & CEO	4	N.A.	N.A.	N.A.
Mr. Liu Bin, Executive Vice-Chairman	4	N.A.	N.A.	N.A.
Mr. Tang See Chim, Lead Independent Director	4	4	1	1
Mr. Graham Macdonald Bell, Independent Director	4	4	1	1
Mr. Chen Zhaohui, George, Independent Director	3	3	1	1
Mr. Christoph Hartmann, Independent Director	4	4	N.A.	N.A.
Dr. Hedda Juliana im Brahm-Droege, Independent Director	4	N.A.	N.A.	1

N.A.: Not Applicable

A formal letter is provided to each director upon his appointment, setting out the director's duties and disclosure obligations. The Company also conducts an orientation programme for newly appointed director(s) to familiarise them with the business activities, strategic directions, policies and corporate governance practices of the Group. Directors are provided with briefings and updates from time to time by professional advisers, auditor and management on relevant practices, new laws, rules and regulations, directors' duties and responsibilities, corporate governance, changes in accounting standards and risk management issues applicable or relevant to the performance of their duties and responsibilities as Directors.

Directors are also informed and encouraged to attend relevant training programmes organised by the Singapore Institute of Directors and may suggest training topics, the funding of which will be provided by the Company.

During FY2016, Directors were briefed by the external auditor on the developments in financial reporting standards. News releases issued by the SGX-ST which are relevant to the Directors are also circulated to the Board for information.

Principle 2: Board Composition and Balance

The Board presently comprises seven Directors, two of whom are Executive Directors and the remaining five are independent.

As a group, the Directors bring with them a broad range of industry knowledge, expertise and experience in areas such as legal, accounting, finance and management. The diversity of the Directors' experience allows for the useful exchange of ideas and views as well as provide for effective decision-making. Key information regarding the Directors, including directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments are set out in pages 21 to 22 of this Annual Report.

The NC reviews the size and composition of the Board and the Board Committees annually. The NC considers the present board size and composition appropriate taking into account the business and scale of operations. It is of the view that the Board and Board Committees, comprises Directors who have the relevant skills and knowledge, expertise and experiences as a group for discharging the Board's duties. The NC has reviewed the declaration of independence provided by each of the Non-Executive Director for FY2016 in accordance with the Code's guidelines and determined that Mr. Tang See Chim, Mr. Graham Macdonald Bell, Mr. Chen Zhaohui, George, Mr. Christoph Hartmann and Dr. Hedda Juliana im Brahm-Droege be considered independent and noted that more than half of the Board comprises Non-Executive Independent Directors.

CORPORATE GOVERNANCE REPORT

Particular scrutiny is applied in assessing the continued independence of Directors having served beyond 9 years from the date of his/her appointment. Dr. Johnny Liu, Mr. Liu Bin, Mr. Tang See Chim, Mr. Graham Macdonald Bell and Mr. Chen Zhaohui, George have served the Company for a period exceeding nine years.

The NC recognizes that an individual's independence cannot be determined arbitrarily on the basis of a set of period of time. In determining the independence of a Director, the Board takes into consideration among others Guideline 2.3 of the Code in which the Board may consider a Director independent if he has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere with his exercise of independent business judgement. The affected directors had recused themselves from the review.

The Board has observed their performance at Board meetings and other occasions and has no reasons to doubt their independence in the course of discharging their duties. They continue to express their viewpoints, debate issues and objectively scrutinize and challenge management. They also seek clarification and amplification as deemed required in discharging their duties as Independent Directors. Hence, the Board is of the view that Mr. Tang See Chim, Mr. Graham Macdonald Bell and Mr. Chen Zhaohui, George should still be considered independent despite having been on the Board for more than nine years as there are no circumstances which might affect their judgement.

Furthermore, the Board also notes that none of the affected independent directors had any interested party transactions with the Group or the substantial shareholders that might affect their independence. The Board wishes to retain them for their combined strength of character, objectivity and wealth of useful and relevant experience which would enable them to be effective Independent Directors, notwithstanding their long tenure. While recognising the benefits of the experience and stability brought by long-standing Independent Directors, the Board remains committed to the progressive renewal of board membership.

The Board and Management engage in open and constructive debate for the furtherance and achieving strategic objectives. All Board members are provided with relevant and sufficient information on a timely basis and Non-Executive Directors may challenge Management's assumptions and also extend guidance to Management, in the best interest of the Group.

Principle 3: Chairman and Chief Executive Officer

Dr. Johnny Liu, a controlling shareholder of the Company, assumes the roles of Executive Chairman and Chief Executive Officer ("CEO") of the Company. He plays a vital role in developing and expanding the business of the Group and has provided strong leadership and vision to the Group. Given the size of the Group's current business operations and nature of its activities, the Board is of the view that it is not necessary to separate the roles of the Chairman and CEO. The Board is of the view that there are sufficient safeguards and checks in place to ensure that Management is accountable to the Board as a whole. The three Board Committees, all of whom comprised of Independent Directors, are all chaired by Independent Directors.

In accordance with the recommendations of the Code, Mr. Tang See Chim has been appointed as the Lead Independent Director, to lead and co-ordinate the activities of the Independent Directors. The Lead Independent Director will be available to shareholders where they have concerns which contact through normal channels of the Chairman or Chief Financial Officer ("CFO") have failed to resolve or for which such contact is inappropriate.

In view of the above, the Directors are of the view that there are sufficient safeguards and checks in place to ensure that the process of decision making by the Board is independent and is based on collective decision making without Dr. Liu being able to exercise considerable concentration of power or influence.

In consultation with the Directors, the Executive Chairman approves meeting schedules of the Board, agendas for Board meetings and is advised of meeting of Board Committees.

The Independent Directors hold informal meeting session on a need basis without the presence of Management and other directors and the Lead Independent Director provides feedback to the Chairman as appropriate.

CORPORATE GOVERNANCE REPORT

Principle 4: Board Membership

The NC comprises three Independent Directors:

Graham Macdonald Bell	(Chairman)
Tang See Chim	(Member)
Chen Zhaohui, George	(Member)

The NC was established for the purpose of ensuring that there is a formal and transparent process for all board appointments.

The principal duties of the NC include the following:

a. Identifying candidates and making recommendations for all Board appointments and re-nomination or continuation in office of any Director;

b. to make recommendations to the Board on all board, CEO and CFO appointments and re-nomination of Board members having regard to the Director's contribution and performance;

c. to determine annually the independence of Directors, bearing in mind the relationships which would deem a Director not to be independent; and

d. to evaluate the performance of the Board and the contributions from the Directors on a year-to-year basis.

The search and nomination process for new Directors will be through search companies, contacts and recommendations that go through the normal selection process, to cast its net as wide as possible for the right candidates. New Directors are appointed after the NC has reviewed and nominated them for appointment. Such new Directors submit themselves for re-election at the next Annual General Meeting ("AGM") of the Company held following their appointment.

The NC will seek to refresh the Board membership progressively and in an orderly manner, to avoid losing institutional memory. The NC reviews the succession and development plans for key management personnel.

At each AGM, at least one-third of the directors are subject to retirement by rotation. Each member of the NC will abstain from voting on any resolution (if applicable) in respect of the assessment of his/her re-nomination as Director.

The NC has reviewed and recommended for the re-election of the following Directors of the Company at the forthcoming AGM:

(i) Mr. Christoph Hartmann, Independent Director retiring pursuant to Article 107; and

(ii) Dr. Hedda Juliana im Brahm-Droege, Independent Director retiring pursuant to Article 107.

The NC recommends all appointments and re-nominations of Directors to the Board after taking into account the respective Director's contributions in terms of experience, business perspective, management skills, individual expertise and pro-activeness in participation of meetings. This is to ensure that the decisions made by the Board are well considered, balanced and are in the best interests of the Company.

CORPORATE GOVERNANCE REPORT

The dates of initial appointment and last re-election of each Director are set out as follows:

Name of Director	Appointment	Date of initial appointment	Date of last re-election
Dr. Johnny Liu	Executive Chairman and CEO	2 November 2006	28 April 2015
Mr. Liu Bin	Executive Vice-Chairman	26 March 2007	28 April 2015
Mr. Tang See Chim	Independent Director	21 May 2007	28 April 2015
Mr. Graham Macdonald Bell	Independent Director	4 June 2007	27 April 2016
Mr. Chen Zhaohui, George	Independent Director	4 June 2007	27 April 2016
Mr. Christoph Hartmann	Independent Director	1 December 2011	25 April 2014
Dr. Hedda Juliana im Brahm-Droege	Independent Director	1 October 2014	28 April 2015

Based on the attendance of the Directors and their contributions at meetings of the Board and Board Committees and their time commitment to the affairs of the Company, the NC believes that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately. The Board is of the view that setting a maximum number of listed company board representations would not be meaningful as the contributions of the Directors would depend on many factors such as whether they were in full time employment and their other responsibilities. If a quantitative number of directorships was imposed, the NC might have omitted outstanding individuals who despite the demands on their time had the capacity to participate and contribute as new members of the Board. The NC will assess each Director relative to his or her abilities and known commitments and responsibilities. The Board does not have alternate directors as recommended by Guideline 4.5 of the Code.

Principle 5: Board Performance

The NC assesses the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board on an annual basis.

In its assessment of the Board effectiveness, the NC takes into consideration the frequency of the Board meetings, the rate at which issues raised are adequately dealt with and the reports from the various Board Committees.

The NC has conducted an evaluation of the Board performance as a whole in respect of FY2016, participated by all Directors. This process involves the completion of a questionnaire by Board members seeking their views on various aspects of Board performance such as Board size and composition, Board information and accountability, Board processes, effectiveness of risk management and internal controls system. A summary of the findings is prepared based on the completed questionnaire and is reviewed and deliberated by the NC and Board members. The Chairman of the NC confers with the Chairman of the Board on the findings and appropriate follow-up actions are taken as necessary.

The Board is satisfied that all Directors have discharged their duties adequately for FY2016 and expects that the Directors will continue to discharge their duties adequately in FY2017.

Principle 6: Access to Information

The Board members are provided with adequate and timely information prior to Board meetings and on an on-going basis. Draft agendas for Board and Board Committee meetings are circulated to the Executive Directors and Board Committee Chairman respectively, in advance, in order for them to suggest items to be included in the agenda and/or review the usefulness of the items in the proposed agenda.

The Board has separate and independent access to the Group's senior management and the advice and services of the Company Secretary. Requests for information from the Board are dealt with promptly. The Board is informed of all material events and transactions as and when they occur. The Board can request for key management personnel attendance at Board or Board Committees meetings to provide additional insight on matters being discussed and to respond to any queries from Directors as and when deemed necessary.

CORPORATE GOVERNANCE REPORT

Under the Constitution of the Company, the decision to appoint or remove the Company Secretary can only be taken by the Board as a whole. During the year, Ms Lynn Wan Tiew Leng resigned as Company Secretary and the Board has collectively decided on the appointment of Mr. Lee Tiong Hock as the new Company Secretary. The Company Secretary attends all Board meetings and ensures that Board procedures and applicable rules and regulations are complied with.

The Board may also take independent professional advice as and when necessary to enable it to discharge its responsibilities effectively, such cost will be borne by the Company.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

The RC comprises of four Independent Directors:

Chen Zhaohui, George	(Chairman)
Tang See Chim	(Member)
Graham Macdonald Bell	(Member)
Dr. Hedda Juliana im Brahm-Droege	(Member)

The principal duties of the RC include the following:

a. to review and recommend to the Board a framework of remuneration for the Board and key management personnel of the Group;

b. to determine the specific remuneration packages for the Executive Directors; and

c. to administer the Dutech Group Performance Share Plan.

The remuneration policy for key executives is based largely on the Group's performance and the responsibilities and performance of each individual key management personnel. In setting remuneration packages, the RC takes into consideration the pay and employment conditions within the industry and local practices. The RC recommends the remuneration packages of key management personnel for Board's approval. The members of the RC, who each have numerous years of experience in senior management positions and/or on the boards of other listed companies, collectively have strong management experience and expertise on remuneration matters. Where necessary, the RC members may seek expert advice inside and/or outside the Company on the remuneration of all Directors and management. In the event of such advice being sought, existing relationship, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.

The two Executive Directors have each entered into separate service agreements with the Company. The service agreements cover the terms of employment, salaries and other benefits.

The RC reviews the terms of compensation and employment for Executive Directors and key management personnel at the time of their respective employment or renewal (where applicable) including considering the Company's obligations in the event of termination of services to ensure such contracts of service contain fair and reasonable termination clauses which are not overly generous.

Independent Directors do not have service agreements. They receive Directors' fees, in accordance with their level of contribution taking into account factors such as effort and time spent for serving on the Board and Board Committees as well as the responsibilities of the Directors and the need to pay competitive fees to attract, retain and motivate the Directors. These fees are subject to shareholders' approval at the AGM.

CORPORATE GOVERNANCE REPORT

No director is involved in deciding his own remuneration, except in providing information and documents if specifically requested by the RC to assist in its deliberations.

The Dutech Group Performance Share Plan (the "Share Plan") was approved during the Company's initial public offering. Through the Share Plan, the Company seeks to foster a greater ownership culture within the Group by aligning the interests of the Group executives and associated company executives with the interests of shareholders. The aggregate number of shares to be issued pursuant to the Share Plan shall not exceed 15% of the total issued shares of the Company. To-date, the Company has not implemented the Share Plan.

Principle 9: Disclosure of Remuneration

Information on the remuneration of Directors of the Company for FY2016 is as follows:

Name of Directors	Remuneration S$	Salary %	Bonus %	Fees %	Other Benefits %	Total %
Dr. Johnny Liu	347,462	40	38	–	22	100
Liu Bin	106,600	58	42	–	–	100
Tang See Chim	72,000	–	–	100	–	100
Graham Macdonald Bell	72,000	–	–	100	–	100
Chen Zhaohui, George	72,000	–	–	100	–	100
Christoph Hartmann	72,000	–	–	100	–	100
Dr. Hedda Juliana im Brahm-Droege	72,000	–	–	100	–	100

Information on the remuneration band of the key management personnel of the Company for FY2016 is as follows:

Remuneration Band & Name of Key Management Personnel	Salary %	Bonus %	Fees %	Other Benefits %
Below S$250,000				
Winson Chen Wen Kun	75	21	–	4
Donia Dong Junxia	71	22	–	7
Jessica Shi Yi	77	18	–	5
Ge Chao Feng[1]	69	26	–	5
Jimmy Tang Jia Ming[2]	72	28	–	–
David Wei Yun De[3]	60	40	–	–

1 Appointed as Managing Director, Asia with effect from 8 October 2008
2 Appointed as Deputy General Manager with effect from 25 April 2016
3 Resigned as Chief Technology Officer with effect from 1 July 2016

Information on key management personnel is set out in the "Key Management" section of the annual report.

The Board does not believe it is in the interest of the Company to disclose the remuneration of key management personnel for FY2016 having regard to the highly competitive human resource environment.

CORPORATE GOVERNANCE REPORT

The remuneration of the Executive Directors and key management personnel comprises a basic salary component and a variable component. The variable component comprises annual bonus computed based on the performance of the Group as a whole which is link to financial targets set and other aspects of performance which include new markets and new products development, as well as individual performance.

For FY2016, there were no termination, retirement and post-employment benefits granted to Directors, the CEO and key management personnel other than the payment in lieu of notice in the event of termination in their respective employment contracts.

There are no employees within the Group who are immediate family members of a Director or the CEO whose remuneration exceeds S$50,000 during the financial year.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board accounts to the shareholders through providing timely information relating to the financial and operations of the Group as well as any issues faced by the Group regularly and as and when required through announcement releases to the SGX-ST.

The Board also reviews the legal and regulatory compliance reports from Management to ensure compliance with the relevant legislative and regulatory requirements. The Management provides the Board with management accounts and such explanation and information on a regular basis and as the Board may require from time to time, to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

Principle 11: Risk Management and Internal Controls

The Management and the Board regularly assess and review the Group's business and operational environment in order to identify areas of significant business risks and to determine the Group's levels of risk tolerance and risk policies as well as appropriate measures to control and mitigate these risks.

The Board has received assurance from the CEO and Acting CFO:

(a) that financial records have been properly maintained and the financial statements give a true and fair view of the Group's financial position and performance; and

(b) that the company's risk management and internal control systems are adequate and effective.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management, various Board Committees and the Board, the Board (with concurrence of the AC) are of the opinion that the Group's risk management and internal control systems addressing financial, operational, compliance and information technology controls, were adequate and effective as at 31 December 2016.

The Board notes that system of internal controls and risk management established by the Company provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

CORPORATE GOVERNANCE REPORT

Principle 12: Audit Committee

The AC comprises of four Independent Directors:

Tang See Chim	(Chairman)
Graham Macdonald Bell	(Member)
Chen Zhaohui, George	(Member)
Christoph Hartmann	(Member)

The Board is of the view that the members of the AC have sufficient accounting and financial management expertise and experience to discharge the AC's functions.

The duties of the AC include the following:

- to review with the external auditors the audit plan and the results of the external auditors' examination and evaluation of the system of internal controls;
- to review with the internal auditors their audit plan, the adequacy of the internal audit procedures and their evaluation of the effectiveness of the overall internal control systems, including financial, operational and compliance controls and risk management;
- to review the quarterly and full year results announcements of the Company prior to submission to the Board so as to ensure the integrity of the financial results announcements to be released via SGXNet;
- to review the consolidated financial statements of the Group and the external auditor's report on those financial statements before the submission to the Board of Directors for approval;
- to review the co-operation given by the Management to the auditors;
- to consider the appointment and re-appointment of external auditors;
- to review and approve interested person transactions;
- to undertake such other reviews and project as may be requested by the Board, and to report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- to generally undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, and by such amendments made thereto from time to time.

The primary responsibility of the AC is to provide support and assistance to the Board in ensuring that a high standard of corporate governance is maintained at all times. The AC has full access to and co-operation by all management personnel and has full discretion to invite any Director and/or key management personnel to attend its meetings and reasonable resources to enable it to discharge its functions properly.

The AC has reviewed the overall scope of the external and internal audit and the assistance given by the Company's officers to the auditors. It met with the Company's auditors to discuss the results of their examination and evaluation of the Company's system of internal accounting controls. The AC meets with the external and internal auditors, without the presence of management, at least once a year.

The AC has discussed the key audit matter with management and the external auditor. The AC concurs with the basis and conclusions included in the auditor's report with respect to the key audit matter. For more information on the key audit matter, please refer to page 26 to 27 of this annual report.

CORPORATE GOVERNANCE REPORT

The AC has also put in place procedures to provide employees of the Group with well defined and accessible channels to report on suspected fraud, corruption, dishonest practices or other similar matters relating to the Group, and for the independent investigation of any reports by employees and appropriate follow up action. Details of the whistle blowing policy have been made available to all employees. The aim of the whistle blowing policy is to encourage the reporting of such matters in good faith, with the confidence that persons making such reports will be treated fairly, and to the extent possible, be protected from reprisal. The employees and any concerned parties who have a business relationship with the Company and who are aware of any possible improprieties may raise any concern directly with the AC Chairman.

The AC has conducted an annual review of the non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. Details of the aggregate amount of fees paid to the external auditors for FY2016 and a breakdown of the fees paid in total for audit and non-audit services respectively, can be found on page 80. The Company complies with the requirements of Rules 712 and 715 of the Listing Manual of the SGX-ST.

During the financial year, the AC reviewed the quarterly financial statements prior to approving or recommending their release to the Board; the external audit plan and the results of the external audit performed; the internal audit plan and report of the Group; non-audit services rendered by the external auditors as well as the independence and objectivity of the external auditors. Management's assessment of fraud risks, adequacy of the whistle blower arrangements and complaints, if any, are also reviewed by the AC.

None of the members nor the Chairman of the AC are former partners or directors of the Group's auditing firm.

Principle 13: Internal Audit

The AC approves the hiring, removal, evaluation and compensation of the professional service firm to which the internal audit function was outsourced. The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

The Group has outsourced the internal audit function to Foo Kon Tan Advisory Services Pte Ltd ("FKT") in Singapore, to Fritz und Mark and Ebner Stolz Mönning Bachem GmbH & Co. KG in Germany in order to satisfy and comply with the requirements of best practices set out in the Code.

During FY2016, FKT had undertaken a review on the principal subsidiaries of the Group in China, namely Tri Star Inc. and Tri Star Technology Co. Ltd. Fritz und Mark and Ebner Stolz Mönning Bachem GmbH & Co. KG had undertaken reviews on the subsidiaries in Germany, namely Format Tresorbau GmbH & Co. KG, Krauth Technology GmbH and Deutsche Mechatronics GmbH respectively.

The Internal auditors carried out its function in accordance with the standards set by nationally or internationally recognized professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The internal auditors report directly to the AC and make recommendations on their findings.

The Group's external auditors also contribute an independent perspective on the internal control systems over financial reporting and annually report their findings to the AC.

The AC annually reviews the adequacy and effectiveness of the internal audit function to ensure that the internal audits are performed effectively. The AC is satisfied that the internal auditors are staffed by qualified and experienced personnel.

CORPORATE GOVERNANCE REPORT

Principle 14: Shareholders' rights

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholder meetings

The Board strives to ensure that all material information is disclosed to the shareholders in an adequate and timely basis. The Board informs and communicates with shareholders through annual reports, announcement releases through SGX-ST, advertisement of notice of general meetings and at general meetings of the Company.

Shareholders are encouraged to attend the AGM of the Company to ensure a greater level of shareholder participation and for them to be kept up to date as to the strategies and goals of the Group. At AGM of the Company, shareholders will be given opportunity to air their views and ask questions regarding the Company and the Group. Shareholders are also informed of the rules, including voting procedures that govern the AGM.

The Board avail themselves after general meetings to solicit and understand the view of the shareholders.

To facilitate participation by the shareholders, the Company's Constitution allow a shareholder to appoint not more than two proxies to attend and vote at general meetings. Currently, the Company's Constitution do not allow a shareholder to vote in absentia as the authentication of a shareholder identity information and other related security issues still remain a concern.

With the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, investors who hold the Company's shares through a nominee company or custodian bank or through a CPF agent bank may attend and vote at each AGM.

Each item of special business included in the notice of the general meetings is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meetings.

The Directors, including the Chairperson of the AC, NC and RC, or members of the respective Board Committees standing in for them, as well as the external auditors will be present and available to address questions at general meetings of the Company.

The Company Secretary prepares minutes of general meetings and these minutes are available to shareholders upon their request.

The Company does not have a formal investor relations policy. Pertinent information is regularly conveyed to the shareholders through SGXNet.

Resolutions are, as far as possible, structured separately and may be voted on independently. All voting is by poll and conducted in the presence of independent scrutineers for greater transparency and efficiency in the voting process. The results of the poll voting, showing the number of votes cast for and against each resolution and the respective percentages, are announced through SGXNet after the AGM. As the number of shareholders who attend the general meetings are not large, it is not cost effective to have voting by electronic polling.

There is no formal dividend policy adopted by the Company. The Company declared and paid an interim dividend of S$0.01 per share for FY2016 on 24 June 2016. The Board, having further reviewed the cashflow position and contingent liability of the Group, did not recommend any payment of final dividend for FY2016.

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS

The Company monitors all its interested person transactions closely and all interested person transactions are subject to review by the AC.

The aggregate value of interested person transactions entered into during the year which fall under Chapter 9 of the Listing Manual of the SGX-ST are as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Nantong Mayway Products Corp.	*Rental for land and buildings: RMB3.8 million*	*NIL*
Nantong Wiedson Hi-Wits Precision Works Co., Ltd.	*Purchase of raw material: RMB0.5 million*	*NIL*

DEALINGS IN SECURITIES

The Company has adopted an internal code with regard to dealings in securities to provide guidance for its Directors and employees in compliance with Rule 1207(19) of the Listing Manual of the SGX-ST.

The Company's code provides that Directors and employees of the Group are prohibited from dealing in securities of the Company when they are in possession of any unpublished material price-sensitive information of the Group. The Company's code also prohibits the Directors and employees from trading in the Company's securities during the period commencing one month and two weeks before the date of announcement of the Company's full year or quarterly results respectively and ending on the date of announcement of the relevant results.

Directors and employees are also required to observe insider trading laws at all times even when dealing in securities within the permitted trading period. In addition, the Directors and employees are expected not to deal in the Company's securities for short-term considerations.

MATERIAL CONTRACTS

There were no material contracts of the Company or its subsidiaries (not being contracts entered into in the ordinary course of business) involving the interests of the chief executive officer, each director or controlling shareholders, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

CORPORATE GOVERNANCE REPORT

Further Information on Board of Directors

Name of Director	**Appointment**	**Current Directorships/Principal Commitments**	**Directorships over Past 3 years**
Dr. Johnny Liu	Executive Chairman and CEO	– Duowei Electromechanical (Tongzhou) Co., Ltd. – Nantong Mayway Products Corp. – Spectacular Bright Corp. – Tri-Star Holdings Inc. – Tri Star International Co., Ltd. – Tri Star Shanghai Electronics Ltd. – TSI Metals Corp.	– Nil
Mr. Liu Bin	Executive Vice-Chairman	– Willalpha International Limited – Wellwield Investment Holdings Pte Limited – Nantong Mayway Products Corp. – Nantong Wiedson Hi-Wits Precision Co., Ltd. – Kewell Products Corporation	– Nantong Hi-Wits Electron Irradiation Technology Co., Ltd. – Jiangsu Zhongke Hi-wits Technology Development Corp.
Mr. Tang See Chim	Independent Director Board Committee(s) served on: – Audit Committee (Chairman) – Nominating Committee – Remuneration Committee	– City Developments Limited – Jutha Phakakrong Shipping Company Private Limited – Nanyang International Education (Holdings) Ltd – Wang Bian Pte Ltd	– Nanyang Girls' High School Ltd. – Anne Product Carriers (Pte) Ltd.
Mr. Graham Macdonald Bell	Independent Director Board Committee(s) served on: – Nominating Committee (Chairman) – Audit Committee – Remuneration Committee	– Asian Alchemy Ltd – Churchmead Group Ltd – Display Enterprises Ltd – Graham Bell & Associates Ltd – Graham Bell & Associates Pte Ltd – The Glengarry Group Ltd – The Lemuria Group Ltd – Marine Claims Office of Asia Pte Ltd – Premium Gain International Pte Ltd – Comitas International Pte Ltd – Gravitas Pte Ltd – Li Shun Holdings Ltd – Lixing International Holdings Ltd	– Media Development Asia Pte Ltd – Asia Earths Pte Ltd

CORPORATE GOVERNANCE REPORT

Further Information on Board of Directors (Continued)

Name of Director	Appointment	Current Directorships/Principal Commitments	Directorships over Past 3 years
Mr. Chen Zhaohui, George	Independent Director Board Committee(s) served on: – Remuneration Committee (Chairman) – Audit Committee – Nominating Committee	– Trimble Navigation Limited – Trimble Electronic Products (Shanghai) Co., Ltd. – Zhongtie Trimble Digital Engineering and Construction Limited Company – Trimble Leading Electronic Technology (Shanghai) Co., Ltd. – GT (Beijing) Co., Ltd.	– Zhongtie Trimble Digital Engineering and Construction Limited Company – Yamei Electronics Technology Co., Ltd. – Actronic Trading (Shanghai) Co., Ltd.
Mr. Christoph Hartmann	Independent Director Board Committee(s) served on: – Audit Committee	– Droege International Group AG* (*Holding Company with numerous group companies) – Droege Real Estate Holding GmbH* (*Holding Company with numerous group companies) – Special Energy Holding GmbH – Special Multi-Channel Holding GmbH (formerly Special Purpose Eins Holding GmbH) – Special Technology Holding GmbH – Special Purpose Drei Holding GmbH – Helis S.A – Special Care Holding GmbH	– METRIC mobility solutions AG (formerly Höft & Wessel AG)
Dr. Hedda Juliana im Brahm-Droege	Independent Director Board Committee(s) served on: Remuneration Committee	– Droege International Group AG – Sammlung Rheingold GbR – KID-Stiftung – Erich-Gutenberg Arbeitsgemeinschaft e.V. – Grafikstiftung Neo Rauch – Gesellschaft der Freunde der Kunstsammlung Nordrhein-Westfalen e.V. – Helis S.A. – Droege Real Estate Spain S.L.	– Nil

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The directors present their statement to the members together with the audited financial statements of Dutech Holdings Limited (the "Company") and subsidiaries (the "Group") for the financial year ended 31 December 2016 and the statement of financial position of the Company as at 31 December 2016.

In the opinion of the directors,

(a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 30 to 100 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2016 and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors of the Company in office at the date of this statement are as follows:

Dr. Johnny Liu
Liu Bin
Tang See Chim
Graham Macdonald Bell
Chen Zhaohui, George
Christoph Hartmann
Dr. Hedda Juliana im Brahm-Droege

Directors' interests in shares or debentures

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Cap. 50, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Direct interests			Deemed interests		
	At 1 January 2016	At 31 December 2016	At 21 January 2017	At 1 January 2016	At 31 December 2016	At 21 January 2017
Company						
Ordinary shares						
Dr. Johnny Liu	650,000	–	–	152,438,956	152,438,956	152,438,956
Liu Bin	–	–	–	56,282,864	56,282,864	56,282,864
Graham Macdonald Bell	–	–	–	17,000	17,000	17,000

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Dr. Johnny Liu is deemed to have an interests in the whole of the share capital of the Company's wholly owned subsidiaries.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Share options

During the financial year, no options to take up unissued shares of the Company or any subsidiaries were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company or any subsidiaries. There were no unissued shares of the Company or any subsidiaries under option at the end of the financial year.

Audit committee

The members of the Audit Committee at the end of the financial year are as follows:

Tang See Chim	(Chairman)
Graham Macdonald Bell	(Independent Director)
Chen Zhaohui, George	(Independent Director)
Christoph Hartmann	(Independent Director)

The Audit Committee carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Cap. 50, the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code of Corporate Governance.

In performing those functions, the Audit Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditors;
- the audit plan of the Company's independent auditors and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditors;
- the periodic results announcements prior to their submission to the Board of Directors for approval;
- the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2016 prior to their submission to the Board of Directors, as well as the independent auditor's report on the statement of financial position of the Company and the consolidated financial statements of the Group; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

Further details regarding the Audit Committee are disclosed in the Corporate Governance Report.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Independent auditors

The independent auditors, Crowe Horwath First Trust LLP, have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors

DR. JOHNNY LIU	**LIU BIN**
Director	Director

31 March 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DUTECH HOLDINGS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dutech Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 30 to 100, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the current period. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DUTECH HOLDINGS LIMITED

Key Audit Matter (Continued)

Effect of acquisition of businesses during the financial year
(Refer to following notes to the financial statements
~ Note 12 "Subsidiaries" part (ii) Acquisition of businesses and Note 2 "Critical accounting estimates, assumptions and judgements")

Key audit matter	***How the matter was addressed in our audit***
In January 2016 and October 2016, the Group completed the acquisition of Krauth Technology GmbH ("Krauth") and the acquisition of Metric Group Holdings Limited and certain assets in Germany from METRIC Mobility Solution AG (collectively "acquisition of Metric Group") respectively. Purchase prices related to business combinations are allocated to the underlying acquired assets and liabilities based on their estimated fair value at the time of acquisition. We focused on this area because the determination of fair value requires the Group to make significant amount of assumptions, estimates and judgements regarding future events, particularly in relation to the identification and valuation of intangible assets and estimation of their useful lives. The allocation process is inherently subjective and impacts the amount assigned to individually identifiable assets and liabilities. The management has engaged external valuation specialist to assist in the allocation process, which has identified a total fair value adjustment and deferred tax impact amounted to EUR7,971,000 and EUR2,138,000 (approximately RMB59,671,000 and RMB16,003,000) respectively. Consequently, a total gain on bargain purchase of RMB4,352,000 is recognised in profit or loss as other income during the year.	With support from our valuation specialist and involvement of the component auditors, we focused on the purchase price allocation, particularly on the management's identification of intangible assets acquired and liabilities assumed. Our procedures included, amongst others: • reviewing the appropriateness of the acquisition accounting applied, including the timing at which controls were deemed to have obtained; • challenging the key judgement make by management to account for the acquisition of Metric Group as an acquisition of a business; • auditing the statements of financial position of acquired businesses at the dates of acquisition; • reviewing and considering the appropriateness of the fair values ascribed to assets and liabilities of the acquired businesses; • challenging the key assumptions used and appropriateness of valuation methodology adopted by management in determining the fair value of net assets acquired; • considering the appropriateness of the useful lives of the intangible assets acquired in the business combinations, which includes customer relationships, development costs and technical know-how; and • considering the adequacy of the related disclosures in the financial statements. Based on the results of our audit procedures, we found that the judgements applied by the Group were balanced; that the key assumptions and estimates used in determining the fair value of identifiable net assets acquired were reasonable; and that the disclosure made on the business combinations to be appropriate.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DUTECH HOLDINGS LIMITED

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DUTECH HOLDINGS LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tan Teck Zhen.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

31 March 2017

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

(Amounts in thousands of Chinese Renminbi ("RMB'000"))

	Note	Group		Company	
		2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	3	**154,623**	168,067	**154,623**	168,067
Capital reserve	4	**33,056**	33,056	**–**	–
Statutory reserve	5	**60,639**	56,221	**–**	–
Merger deficit	6	**(13,029)**	(13,029)	**–**	–
Revenue reserve	7	**577,880**	473,335	**2,364**	15,222
Translation reserve/(deficit)	8	**12,587**	(23,873)	**10,990**	(13,763)
Fair value reserve	9	**136**	6	**–**	–
TOTAL EQUITY		**825,892**	693,783	**167,977**	169,526
ASSETS					
Non-current assets					
Property, plant and equipment	10	**289,665**	245,262	**–**	–
Land use rights	11	**60,850**	59,766	**–**	–
Subsidiaries	12	**–**	–	**48,625**	30,149
Associates	13	**7,093**	6,968	**–**	–
Intangible assets	14	**81,456**	10,037	**–**	–
Held-to-maturity investments	15	**6,268**	9,270	**–**	–
Deferred tax assets	16	**19,885**	2,283	**–**	–
		465,217	333,586	**48,625**	30,149
Current assets					
Inventories	17	**274,299**	151,784	**–**	3,701
Trade receivables	18	**260,850**	196,226	**5,704**	3,049
Other receivables, deposits and prepayments	19	**9,849**	5,154	**310**	–
Advances to suppliers		**35,053**	19,106	**1,126**	–
Due from subsidiaries (non-trade)	20	**–**	–	**152,610**	108,749
Available-for-sale financial assets	21	**10,596**	6,545	**–**	–
Held-to-maturity investments	15	**3,561**	–	**–**	–
Cash and bank balances	22	**295,006**	240,444	**32,725**	31,717
Derivative financial instruments	23	**1,427**	–	**–**	–
		890,641	619,259	**192,475**	147,216
TOTAL ASSETS		**1,355,858**	952,845	**241,100**	177,365
LIABILITIES					
Current liabilities					
Trade payables		**110,355**	75,934	**2,816**	3,924
Other payables and accruals	24	**153,335**	83,056	**1,363**	1,800
Borrowings	25	**106,872**	46,839	**–**	–
Due to a related party (trade)	20	**242**	429	**–**	–
Due to subsidiaries (trade & non-trade)	20	**–**	–	**67,050**	–
Income tax payable		**9,566**	10,783	**1,894**	2,115
		380,370	217,041	**73,123**	7,839
Non-current liabilities					
Deferred tax liabilities	16	**40,139**	17,018	**–**	–
Other payables	24	**2,961**	2,565	**–**	–
Deferred income	26	**13,214**	14,334	**–**	–
Pension liability	27	**76,423**	–	**–**	–
Borrowings	25	**16,859**	8,104	**–**	–
		149,596	42,021	**–**	–
TOTAL LIABILITIES		**529,966**	259,062	**73,123**	7,839
NET ASSETS		**825,892**	693,783	**167,977**	169,526

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

	Note	2016 RMB'000	2015 RMB'000
Revenue	28	**1,390,210**	1,193,748
Cost of sales		**(984,731)**	(851,838)
Gross profit		**405,479**	341,910
Other income	29	**28,858**	27,134
Selling and distribution expenses		**(68,987)**	(57,080)
Administrative expenses		**(193,276)**	(159,877)
Finance income		**1,122**	5,173
Finance costs		**(6,623)**	(3,161)
Finance (costs)/income, net	31	**(5,501)**	2,012
Other expenses	32	**(6,198)**	(5,018)
Share of profits of associates	13	**125**	354
Profit before tax	33	**160,500**	149,435
Income tax	34	**(34,396)**	(31,435)
Profit for the year		**126,104**	118,000
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation		**17,171**	(4,734)
Changes in fair value of available-for-sale financial assets	21	**130**	6
		17,301	(4,728)
Items that will not be reclassified subsequently to profit or loss			
Re-measurement gains on defined benefit pension scheme	27	**7,527**	–
Movement of deferred tax relating to pension deficit	16	**(1,330)**	–
		6,197	–
Other comprehensive income/(loss), net of tax		**23,498**	(4,728)
Total comprehensive income for the year		**149,602**	113,272
Profit attributable to:			
Equity holders of the Company		**126,104**	118,000
Total comprehensive income attributable to:			
Equity holders of the Company		**149,602**	113,272
Earnings per share (cents)			
Basic and diluted	35	**35.37**	33.10

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

2016
Group

	Attributable to equity holders of the Company							
	Share capital RMB'000	**Capital reserve RMB'000**	**Statutory reserve RMB'000**	**Merger deficit RMB'000**	**Revenue reserve RMB'000**	**Translation (deficit)/ reserve RMB'000**	**Fair value reserve RMB'000**	**Total equity RMB'000**
Balance at 1 January 2016	168,067	33,056	56,221	(13,029)	473,335	(23,873)	6	693,783
Effect of change in functional currency	(13,444)	–	–	–	(5,845)	19,289	–	–
	154,623	33,056	56,221	(13,029)	467,490	(4,584)	6	693,783
Profit for the financial year	–	–	–	–	126,104	–	–	126,104
Other comprehensive income, net of tax	–	–	–	–	6,197	17,171	130	23,498
Total comprehensive income for the financial year	–	–	–	–	132,301	17,171	130	149,602
Transfer to statutory reserve (Note 5)	–	–	4,418	–	(4,418)	–	–	–
Dividends on ordinary shares (Note 36)	–	–	–	–	(17,493)	–	–	(17,493)
Total distributions to owners	–	–	4,418	–	(21,911)	–	–	(17,493)
Balance at 31 December 2016	154,623	33,056	60,639	(13,029)	577,880	12,587	136	825,892

2015
Group

	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Merger deficit RMB'000	Revenue reserve RMB'000	Translation (deficit)/ reserve RMB'000	Fair value reserve RMB'000	Total equity RMB'000
Balance at 1 January 2015	168,067	33,056	44,975	(13,029)	390,957	(19,139)	–	604,887
Profit for the financial year	–	–	–	–	118,000	–	–	118,000
Other comprehensive (loss)/ income, net of tax	–	–	–	–	–	(4,734)	6	(4,728)
Total comprehensive income for the financial year	–	–	–	–	118,000	(4,734)	6	113,272
Transfer to statutory reserve (Note 5)	–	–	11,246	–	(11,246)	–	–	–
Dividends on ordinary shares (Note 36)	–	–	–	–	(24,376)	–	–	(24,376)
Total distributions to owners	–	–	11,246	–	(35,622)	–	–	(24,376)
Balance at 31 December 2015	168,067	33,056	56,221	(13,029)	473,335	(23,873)	6	693,783

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

	Note	2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Profit before tax		**160,500**	149,435
Adjustments:			
Amortisation of land use rights	11	**1,317**	1,302
Amortisation of intangible assets	14	**7,965**	5,461
Amortisation of deferred government grants	26	**(1,324)**	(1,324)
Depreciation of property, plant and equipment	10	**24,244**	19,400
Fair value changes on contingent consideration		**–**	(2,765)
(Gain)/Loss on disposal of property, plant and equipment	29/32	**(379)**	722
Fair value gain on forward contract	23	**(1,427)**	–
Loss/(Gain) on settlement of forward contracts, net	23	**168**	(6,215)
Interest expenses	31	**6,623**	3,161
Interest income	31	**(1,122)**	(5,173)
Gain on foreign exchange, net		**(7,486)**	(4,636)
Share of profits of associates	13	**(125)**	(354)
Gain on bargain purchase arising from the acquisition of businesses	12	**(4,352)**	–
Contingent consideration	32	**–**	2,129
Operating profit before working capital changes		**184,602**	161,143
Inventories		**(27,703)**	(1,726)
Trade receivables		**(15,421)**	(31,800)
Other receivables, deposits and prepayments		**(6,902)**	870
Advances to suppliers		**(14,822)**	(3,142)
Trade payables		**16,990**	(6,344)
Other payables and accruals		**(13,663)**	7,962
Pension liability		**(528)**	–
Due to a related party (trade)		**(187)**	(13)
Cash generated from operations		**122,366**	126,950
Income tax paid		**(27,217)**	(20,695)
Net cash from operating activities		**95,149**	106,255
Cash flows from investing activities			
Interest received		**1,122**	6,373
Proceeds from disposal of property, plant and equipment		**979**	14
Purchase of property, plant and equipment	A	**(42,722)**	(30,198)
Purchase of land use right	11	**(2,401)**	–
Purchase of intangible assets	14	**(2,585)**	–
Government grants received related to assets	26	**204**	6,240
(Payment)/Receipt from settlement of forward contracts		**(168)**	1,602
Net cash outflow on acquisition of businesses	12(ii)	**(32,486)**	–
Proceeds from disposal of available-for-sale investments		**–**	100,000
Purchase of held-to-maturity investments		**–**	(8,786)
Purchase of available-for-sale financial assets	21	**(3,290)**	(6,268)
Contingent consideration paid	24C	**(515)**	–
Net cash (used in)/from investing activities		**(81,862)**	68,977
Cash flows from financing activities			
Dividends paid	36	**(17,493)**	(24,376)
Interest paid		**(5,904)**	(2,858)
Proceeds from borrowings		**72,528**	20,212
Repayment of borrowings		**(22,174)**	(11,810)
(Placement)/Withdrawal of pledged deposits		**(24,769)**	16,855
Net cash from/(used in) financing activities		**2,188**	(1,977)
Net increase in cash and cash equivalents		**15,475**	173,255
Effect of exchange rate changes in cash and cash equivalents		**14,318**	6,231
Cash and cash equivalents at beginning of financial year		**240,212**	60,726
Cash and cash equivalents at end of financial year	22	**270,005**	240,212

Note A

	Note	2016 RMB'000	2015 RMB'000
Total additions to property, plant and equipment	10	**55,509**	32,759
(Less)/Add: Amount included in prepayments	19	**(2,199)**	2,199
Less: Amount included in other payables	24B	**(1,923)**	–
Less: Amount financed through finance lease		**(1,372)**	(4,760)
Less: Amount financed through loan	25(i)	**(7,293)**	–
Cash payments on purchase of property, plant and equipment per consolidated statement of cash flows		**42,722**	30,198

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

Dutech Holdings Limited (the "Company") is a limited liability company domiciled and incorporated in Singapore and listed on the Singapore Exchange Securities Trading Limited. The registered office of the Company is located at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623. The principal place of business of the Company in China is located at 11G International Shipping & Finance Centre, 720 Pudong Ave, Shanghai 200120, People's Republic of China ("PRC").

The principal activities of the Company are investment holding and general wholesale of high security products. The principal activities of its subsidiaries are disclosed in Note 12 to the financial statements. The controlling shareholder of the Company is Spectacular Bright Corp., incorporated in British Virgin Islands, and controlled by the Group's Chairman and CEO, Dr. Johnny Liu.

The financial statements for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 31 March 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 and the Singapore Financial Reporting Standards ("FRS"). The financial statements are presented in Chinese Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) as indicated, unless otherwise stated.

The preparation of the financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement or complexity, are disclosed in this Note.

Adoption of new and revised standards

On 1 January 2016, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 7: *Disclosure Initiative*	1 January 2017
Amendments to FRS 12: *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Improvements to FRSs (Dec 2016)	
– FRS 112 *Disclosure of Interests in Other Entities*	1 January 2017
FRS 115 *Revenue from Contracts with Customers (including Clarifications)*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
Amendments to FRS 102: *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to FRS 40: *Transfers of Investment Property*	1 January 2018
Improvements to FRSs (Dec 2016)	
– FRS 101 *First-time Adoption of Financial Reporting Standards*	1 January 2018
– FRS 28 *Investments in Associates and Joint Ventures*	1 January 2018
INT FRS 122: *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to FRS 104: *Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts*	1 January 2018
FRS 116 *Leases*	1 January 2019
Amendments to FRS 110 and FRS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

The directors expect that the adoption of the new or amended standards and interpretations above will have no material impact on the financial statements in the period of initial application, except for the impending changes in accounting policy on adoption of the followings:

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a single comprehensive model in accounting for revenue arising from contracts with customers, and will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective in 2018.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under FRS 115, an entity recognises revenue when (or as) a performance obligations is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers.

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The application of FRS 115 may have a material impact on the amounts reported and disclosures in the Group's consolidated financial statements. The Group is in the process of assessing the impact of the new standard for the future periods which is likely in respect of identifying performance obligations and allocating consideration within contracts with customers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

FRS 109 *Financial Instruments*

FRS 109 replaces FRS 39 *Financial Instruments: Recognition and Measurement*, and introduces new requirements for classification and measurement, impairment and hedge accounting. The adoption of FRS 109 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. The Group's financial assets include (1) structured deposits currently classified as available for sales is expected to be categorised under fair value through other comprehensive income, (2) bonds currently classified as held-to-maturity and loans and receivables are expected to be categorised under amortised cost. FRS 109 also introduces a new expected loss impairment model, and adds detailed guidance on impairment-related presentation and disclosures. FRS 109 also contains new requirements on hedge accounting, which adopts a more principle-based approach, and allows entities to choose between applying hedge accounting requirements of FRS 109 or continue to apply the existing hedge accounting requirements in FRS 39 for all hedge accounting. FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted.

Based on the Group's initial assessment, the Group does not expect significant adjustment on adoption of FRS 109 as the Group does not expect significant changes in measurement basis or significant increase in impairment allowance.

Convergence with International Financial Reporting Standards (IFRS)

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

Based on the Group's preliminary assessment, the Group expects that the impact on adoption of IFRS-Identical Financial Reporting Standards 15 *Revenue from Contracts with Customers* and IFRS-Identical Financial Reporting Standards 9 *Financial Instruments* will be similar to adopting FRS 115 and FRS 109 as described above.

The Group is currently performing an analysis of the available policy choices, transitional optional exemptions and transitional mandatory exceptions under IFRS – Identical FRS 1.

FRS 116 *Leases*

This new standard on leases supersedes the previous standard (FRS 17) and interpretations and brings in a new definition of a lease that will be used to identify whether a contract is, or contains, a lease. For leasees, FRS 116 reforms leasee accounting by introducing a single model similar to the existing finance lease model. Specifically, lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets and the associated obligations for lease payments, with limited exemptions. However, lessor accounting, with the distinction between operating and finance leases, remains largely unchanged. FRS 116 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted for entities that apply FRS 115 Revenue from Contracts with Customers at or before the date of initial application of this standard. The Group plans to adopt the standard when it becomes effective in 2019. As at reporting date, the Group has non-cancellable operating lease commitments as disclosed in Note 38. Based on the Group's initial assessment, these commitments will result in the recognition of asset and liability for future lease payments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting

(i) Subsidiaries

(a) Basis of consolidation

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain on bargain purchase.

(c) Disposals of subsidiaries or businesses

The assets and liabilities of the subsidiary, including any goodwill, are derecognised when a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss. Subsequently, the retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(ii) Associates

Associates are entities over which the Group exercises significant influence, but not control, over the financial and operating policy decision, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

Investments in associates are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associates represents the excess of the cost of acquisition of the associate over the Group's share of the fair value of the identifiable net assets of the associate and is included in the carrying amount of the investments.

In applying the equity method of accounting, the Group's share of its associates' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associates are adjusted against the carrying amount of the investment. When the Group's share of losses in associates equals or exceeds its interest in the associates, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associates.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Investments in associates are derecognised when the Group loses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and its fair value is recognised in profit or loss.

Gains and losses arising from partial disposals or dilutions in investments in associates in which significant influence are retained are recognised in profit or loss.

Subsidiaries and associates

Investments in subsidiaries and associates are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of investments in subsidiaries and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

Currency translation

(i) Functional and presentation currency

The individual financial statements of each entity are measured in the currency of the primary economic environment in which the entity operates ("functional currency").

The Company and a Singapore subsidiary changed its functional currency from Singapore dollar ("SGD") to United States dollar ("USD") with effect from 1 January 2016 to reflect the current and prospective economic substance of the underlying transactions and circumstances of the Company and the subsidiary. The main factor taken into consideration for the change is the fact that the trading activities of the Company and the subsidiary (transacted in USD) outweighs their investment holding activities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Currency translation (Continued)

(i) Functional and presentation currency (Continued)

The effect of change in functional currency to USD was applied prospectively in the financial statements. All items were translated into the new functional currency using the exchange rate of USD1: SGD1.4201 as at 1 January 2016.

As the Group's operations are principally conducted in the PRC, the consolidated financial statements of the Group and the statement of financial position of the Company are presented in Chinese Renminbi ("RMB").

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve/deficit in equity in the consolidated financial statements. The foreign currency translation reserve/deficit is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(iii) Translation of the Group's consolidated financial statements and the Company's statement of financial position

The assets and liabilities of foreign operations and the Company are translated into RMB at the rate of exchange ruling at the reporting date and their profit or loss is translated at the average exchange rates for the financial year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates that is foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of property, plant and equipment including subsequent expenditure is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When significant parts of property, plant and equipment is required to be replaced in intervals, the Group recognises such parts as individual assets with specific lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance expenses are recognised in profit or loss when incurred.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

Construction in progress includes all costs of construction and other direct costs. Construction in progress is reclassified to the appropriate category of property, plant and equipment when complete and ready to use.

Freehold land and construction in progress are not depreciated. All other items of property, plant and equipment are depreciated using the straight-line method to write off the cost of the property, plant and equipment less estimated residual value over their estimated useful lives as follows:

	Useful lives (Years)	Estimated residual value as a percentage of cost (%)
Freehold buildings	9 to 41[(*)]	–
Leasehold buildings	5 to 20	0% -10%
Plant and machinery	5 to 19	0% -10%
Office equipment and fittings	3 to 5	0% -10%
Motor vehicles	3 to 6	0% -10%

* Including the remaining useful lives upon acquisition date of a subsidiary.

The residual value, estimated useful lives and depreciation method are reviewed, and adjusted as appropriate, at each reporting date to ensure that the amount, method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Fully depreciated assets are retained in the financial statements until they are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in the profit or loss within "Other income/(expenses)".

Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised on a straight-line basis over the lease term of 50 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost, which includes the purchase price and other directly attributable cost of preparing the asset for its intended use. The cost of intangible assets acquired in a business combination is their fair values at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and are recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be finite or indefinite.

Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

(a) Research and development costs

Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development. Following initial recognition of the deferred development costs as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the intangible asset begins when development is complete and the asset is available for use. Deferred development costs have a finite useful life and are amortised over the period of expected sales from the related projects (5 years) on a straight-line basis.

(b) Technical know-how and patent

Technical know-how and patent was acquired separately or through business combination and is amortised over the period of expected sales (5 to 10 years) on a straight-line basis.

(c) Customer relationship

Customer relationship was arisen from the acquisition of businesses and is amortised over the period of 10 years on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

(c) Customer relationship (Continued)

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely dependent on those from other assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecasts calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit or loss.

(i) Initial recognition and measurement

Financial assets are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of financial assets classified as held-to-maturity, directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

(i) Initial recognition and measurement (Continued)

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and for held-to-maturity investments, re-evaluates this designation at every reporting date.

Financial assets

(ii) Subsequent measurement

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the short-term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets designated at fair value through profit or loss is those that are managed and their performances are evaluated on a fair value basis, in accordance with the Group's investment policy. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the reporting date.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains and losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are classified as non-current assets. Loans and receivables comprise cash and bank balances, trade and other receivables, deposits and amounts due from subsidiaries.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

(ii) Subsequent measurement (Continued)

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. They are presented as non-current assets, except those maturing within 12 months after the reporting date which are presented as current assets. The Group's held-to-maturity investments include investments in fixed rate corporate bonds.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

(d) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. Assets in this category are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the reporting date.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are stated at cost less impairment loss.

(iii) Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the marketplace concerned.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amount charged to the allowance account is written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Available-for-sale financial assets

Considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired include (i) a significant or prolonged decline in the fair value of the investment below its costs, (ii) significant financial difficulties of the issuer or obligor, and (iii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

When the available-for-sale financial asset is impaired, the cumulative loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

(ii) Available-for-sale financial assets (Continued)

For debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as the financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Raw materials comprise purchase costs accounted for on a weighted average basis. Work-in-progress and finished goods comprise cost of direct materials, direct labour and an attributable proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to be incurred for selling and distribution.

Derivative financial instruments and hedge accounting

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk. Further details of derivative financial instruments are disclosed in Note 23 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group has entered into forward currency contracts for currency risk arising from its firm commitments for purchases and sales denominated in foreign currencies. These contracts have been assessed to be ineffective and do not qualify for hedge accounting. Consequently, the changes in fair values of these contracts are recognised in the profit or loss.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

Financial liabilities for contingent consideration payable in a business combination are initially measured at fair value. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(b) Other financial liabilities

Subsequent to initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when liabilities are derecognised, and through the amortisation process.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in an active markets (such as exchange traded and over-the-counter securities and derivatives) are based on quoted market prices at the reporting date. The quoted market prices used for financial assets and the financial liabilities are the current bid prices and the current asking prices respectively.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each reporting date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair value of the financial instruments.

The carrying amounts of current financial assets and liabilities carried at amortised cost approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date, in which case they are presented as non-current liabilities.

Borrowings are initially recorded at fair value, net of transaction costs and subsequently carried for at amortised costs using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within twelve months after the reporting date are included in current borrowings in the statement of financial position even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue.

Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Leases – the Group as lessee

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Finance leases, which transfers to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred. Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Provisions

A provision is recognised when the Group has a present obligation, legal or constructive, as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi (“RMB’000”), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial guarantees

The Company provided a corporate guarantee to a bank for bank borrowing of its subsidiary. The financial guarantee contract requires the Company to reimburse the bank if the subsidiary fails to make principal or interest payments when due in accordance with the terms of the borrowing.

Financial guarantee contracts are initially recognised as a liability at their fair values, by comparing the borrowing costs of the subsidiary without any corporate guarantee, with the current interest rates charged by the bank on the bank loan and adjusted for transaction costs directly attributable to the issuance of the guarantees. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liabilities will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprises cash on hand and deposits with financial institutions, excluding pledged cash deposits. Cash and cash equivalents are short term, highly liquid investments readily convertible to known amounts of cash and subject to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired.

Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grant will be received and all terms and conditions relating to the grants have been complied with. When the grant relates to an asset, the fair value is recognised as deferred income on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual installments.

Where the grant relates to income, the government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income are presented as a credit in profit or loss under a general heading “Other income”.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The followings specific recognition criteria must be met before revenue is recognised.

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Service revenue in relation to design and engineering projects in business solution segment is recognised by reference to the stage of completion at the reporting date. Stage of completion is determined by reference to contract costs incurred to date as a percentage of total estimated contract costs for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Dividend income is recognised when the right to receive payment is established.

Employees' benefits

(i) Retirement benefits

The Group operates both defined benefit and defined contribution plans.

(a) Defined contribution plans

The Group participates in the national schemes as defined by the laws of the countries in which it has operations.

Singapore

The Company makes contribution to the Central Provident Fund ("CPF") Scheme in Singapore, a defined contribution pension scheme.

Foreign subsidiaries

The subsidiaries, incorporated and operating in the PRC, Germany and US, are required to provide certain retirement plan contribution to their employees under existing PRC, Germany and US regulations. Contributions are provided at rates stipulated by the PRC, Germany and US regulations and are managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees.

Obligations for contributions to defined contribution retirement plans are recognised as an expense in the period in which the related service is performed.

(b) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each defined benefit plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees' benefits (Continued)

(i) Retirement benefits (Continued)

(b) Defined benefit plan (Continued)

The discount rate is the yield at the reporting date on bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Re-measurements from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefits expense in profit or loss.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the reporting date.

Dividends

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

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

(i) Current income tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using tax rates and tax laws that have been substantively enacted by the reporting date in the countries where the Group operates and generates taxable income. Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising from investment in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date 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 utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(iii) Value-added tax ("VAT")

The Group's sales of goods in the PRC, Germany and United Kingdom are subjected to VAT. Input tax on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Trade receivables" or "Trade payables" in the statement of financial position. The Group's export sales are not subjected to VAT.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Group or the Company or of a parent of the Company

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker responsible for allocating resources and assessing performance of the operating segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Purchase price allocation on business combination

Purchase prices related to business combinations are allocated to the underlying acquired assets and liabilities based on their estimated fair value at the time of acquisition. The determination of fair value requires the Group to make assumptions, estimates and judgements regarding future events. The allocation process is inherently subjective and impacts the amount assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impacts the Group's reported assets and liabilities, future net earnings due to the impact on future depreciation and amortisation expense and impairment tests. The acquisition accounting values recognised for assets acquired and liabilities assumed arising from the acquisition made during the financial year is presented in Note 12(ii).

(b) Defined benefit pension plans

Defined benefit obligations and plan assets, and the resulting liabilities and assets that are recognised, are subjected to significant volatility as actuarial assumptions regarding future outcomes and market values change. Substantial judgement is required in determining the actuarial assumptions to reflect local conditions but are determined under a common process in consultation with independent actuaries. The assumptions applied are reviewed annually and adjusted where necessary to reflect changes in experience and actuarial recommendations.

Information about the amounts reported in respect of defined benefit pension plans, assumptions applicable to the principal plans and their sensitivity to changes are presented in Note 27.

(c) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budgets and forecasts for the next 5 years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flows model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The accumulated impairment loss recognised for investment in a subsidiary as at 31 December 2016 amounted to RMB46,577,000 (2015: RMB47,106,000) due to history of losses. Favourable or unfavourable changes to the profitability of the relevant cash-generating unit would result in changes in the impairment loss to be recognised or reversed in the next financial year. The carrying amount of investment in the subsidiary which is stated after the above mentioned impairment is RMB1,289,000 (2015: RMB1,210,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements (Continued)

(i) Critical accounting estimates and assumption (Continued)

(c) Impairment of non-financial assets (Continued)

The accumulated impairment loss recognised on property, plant and equipment is RMB6,225,000 (2015: RMB6,225,000). Any reversal will not have material impact to the financial statements given that the assets would have been substantially depreciated as at 31 December 2016 had no impairment been recognised in financial year 2012.

(d) Allowance of stock obsolescence

A review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to estimate future demand for the products. Possible changes in these estimates could result in revisions to the valuation of inventory. The carrying amount of Group's inventories at the reporting date is disclosed in Note 17 to the financial statements.

(e) Useful lives of intangible assets

Intangible assets are amortised on a straight-line basis over the estimated economic useful lives of 5 to 10 years. These are common life expectancies applied in high security products and business solution products where new technology will replace the existing development. Customer relationship arising from business combination has the estimated useful lives of 10 years based on management expectation of the continuing/repeated sales to existing customers. As at 31 December 2016, there are no indications that the remaining economic useful lives of these assets are significantly lower than the remaining useful lives. The carrying amount of the Group's intangible assets at the reporting date is disclosed in Note 14 to the financial statements.

(f) Income tax

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Group and the Company have unrecognised tax losses of approximately RMB2,933,000 (2015: RMB2,070,000) that are available to carry forward. These losses relate to certain subsidiaries in PRC (2015: Germany) that have history of losses, will expire in 2021 (2015: do not expire) and may not be used to offset taxable income elsewhere in the Group. The Company and the subsidiaries have neither temporary taxable differences nor any tax planning opportunities available that could support the recognition of any of these losses as deferred tax assets. If the Group and the Company had been able to recognise all unrecognised deferred tax assets, profit for the financial year would have increased by approximately RMB733,000 (2015: RMB518,000).

During the year, the Group has provided for deferred tax liabilities amounting to RMB10,245,000 (2015: RMB9,079,000) relating to the withholding taxes payable on the relevant portion of undistributed profits of the PRC subsidiaries, increasing the accumulated balance of such deferred tax liabilities to RMB23,984,000 (2015: RMB13,739,000) as disclosed in Note 16. The provision was made on the management's view that this represents amounts probable to be distributed within the foreseeable future, in view of the historical dividend trend and the expectations of the Group's performance for the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements (Continued)

(ii) Critical judgements in applying the entity's accounting policies

The followings are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(a) Acquisition of Metric Group

The Group acquired 100% equity interest in Metric Group Holding Ltd ("Metric UK") and certain assets from METRIC Mobility Solutions AG ("Metric AG"). Management has determined that the assets acquired are a business combination.

After considering the similar nature of business and the decision-making process of the acquisition, the management has determined that the acquisition of Metric UK and the assets of Metric AG (collectively "Metric Group") is a combined transaction and thus its purchase price allocation valuation is conducted on a combined basis. Further details of the acquisition are disclosed in Note 12(ii).

(b) Acquisition of non-controlling interest

In October 2014, the Group increased its interest in a 60% owned subsidiary, Deutsche Mechatronics GmbH ("DTMT") by acquiring additional 30% equity interest and entering into a forward contract to purchase the remaining 10% equity interest from the non-controlling shareholder. In determining the extent of the Group's interest in DTMT arising from this acquisition, the management has assessed the facts and circumstances of this acquisition and has determined that the risks and rewards for the remaining 10% has also been passed to the Group and has treated DTMT as a wholly-owned subsidiary from 31 October 2014 onwards. The details of the acquisition are further disclosed in Note 24D.

(c) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currency of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The management has assessed that the functional currency of its main operating subsidiaries in PRC to be RMB, after analysing the impact of competitive forces of the country in which its customers located, its cost structure and its pricing strategy. The management has determined that the selling prices are mainly determined by the currency that influences labour, material and cost of production, and that the level of influence of the competition on its selling price and the currency in which the sales price are denominated is not as prominent as that of costs.

In addition, there is a change of functional currency for the Company and a subsidiary for factors as disclosed in "Currency translation" in this note.

3. SHARE CAPITAL

	Group and Company			
	2016		2015	
	Number of ordinary shares	RMB'000	Number of ordinary shares	RMB'000
At beginning of the financial year	**356,536,000**	**168,067**	356,536,000	168,067
Effect of change in functional currency	**–**	**(13,444)**	–	–
At end of the financial year	**356,536,000**	**154,623**	356,536,000	168,067

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

3. SHARE CAPITAL (Continued)

The holders of the ordinary shares are entitled to receive dividend as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

4. CAPITAL RESERVE

The capital reserve arises from the increase in paid-up capital of a subsidiary in the financial years ended 31 December 2010 and 2012, by capitalising its retained profits in accordance with the relevant PRC rules and regulations. On consolidation, the capitalised retained profits were reflected as a capital reserve of the Group. The capital reserve is non-distributable.

5. STATUTORY RESERVE

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the PRC, the subsidiaries being wholly foreign-owned enterprises are required to make an appropriation to a statutory reserve ("SR"). At least 10 percent of the statutory after tax profits, as determined in accordance with the applicable PRC accounting standards and regulations, must be allocated to the SR.

If the cumulative total of the SR reaches 50% of the subsidiaries' registered capital, the subsidiaries will not be required to make any further appropriation. Subject to approval from the relevant PRC authorities, the SR may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The SR is not available for dividend distribution to shareholders. The SR is non-distributable and the transfer to the SR must be made before the distribution of dividends to shareholders.

6. MERGER DEFICIT

The merger deficit arises from the difference between the purchase consideration and the carrying value of the assets combined under the pooling-of-interests method of consolidation.

7. REVENUE RESERVE

	Company	
	2016	**2015**
	RMB'000	**RMB'000**
At 1 January	**15,222**	25,442
Effect of change in functional currency	**(872)**	–
	14,350	25,442
Profit for the financial year	**5,507**	14,156
Dividend paid (Note 36)	**(17,493)**	(24,376)
At 31 December	**2,364**	15,222

8. TRANSLATION RESERVE/(DEFICIT)

	Company	
	2016	**2015**
	RMB'000	**RMB'000**
At 1 January	**(13,763)**	(11,712)
Effect of change in functional currency	**14,316**	–
	553	(11,712)
Currency translation difference for the financial year	**10,437**	(2,051)
At 31 December	**10,990**	(13,763)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

9. FAIR VALUE RESERVE

The fair value reserve arises from the changes in fair value of available-for-sale financial assets as disclosed in Note 21 to the financial statements.

10. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Office equipment and fittings RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2015	23,138	196,889	148,215	28,031	9,207	12,073	417,553
Additions	–	2,885	9,268	3,923	968	15,715	32,759
Reclassified from/(to)	–	742	1,980	140	–	(2,862)	–
Disposals	–	(18)	(9,659)	(284)	(454)	(35)	(10,450)
Currency translation differences	(528)	(5,543)	(2,239)	(855)	26	(31)	(9,170)
At 31 December 2015	22,610	194,955	147,565	30,955	9,747	24,860	430,692
At 1 January 2016	22,610	194,955	147,565	30,955	9,747	24,860	430,692
Acquisition of businesses (Note 12(ii))	–	1,156	5,106	3,978	67	–	10,307
Additions	23,870	6,810	10,976	6,620	552	6,681	55,509
Reclassified from/(to)	–	17,378	–	–	–	(17,378)	–
Disposals	–	(44)	(14,208)	(818)	(507)	(9)	(15,586)
Written-off	–	–	(170)	(4,602)	–	–	(4,772)
Currency translation differences	814	3,782	1,335	889	47	14	6,881
At 31 December 2016	47,294	224,037	150,604	37,022	9,906	14,168	483,031
Accumulated depreciation and impairment loss							
At 1 January 2015	–	57,644	92,139	25,508	5,845	–	181,136
Charge for the financial year	–	8,125	9,004	1,273	998	–	19,400
Disposals	–	(16)	(9,040)	(249)	(409)	–	(9,714)
Currency translation differences	–	(2,254)	(2,309)	(839)	10	–	(5,392)
At 31 December 2015	–	63,499	89,794	25,693	6,444	–	185,430
At 1 January 2016	–	63,499	89,794	25,693	6,444	–	185,430
Charge for the financial year	–	8,467	11,470	3,343	964	–	24,244
Disposals	–	(35)	(14,105)	(390)	(456)	–	(14,986)
Written-off	–	–	(170)	(4,602)	–	–	(4,772)
Currency translation differences	–	1,532	1,116	782	20	–	3,450
At 31 December 2016	–	73,463	88,105	24,826	6,972	–	193,366
Net carrying amount							
At 31 December 2016	47,294	150,574	62,499	12,196	2,934	14,168	289,665
At 31 December 2015	22,610	131,456	57,771	5,262	3,303	24,860	245,262

Assets pledged as security

The Group's freehold lands and buildings with carrying amount of RMB25,361,000 (2015: RMB20,745,000) and RMB8,325,000 (2015: RMB3,877,000) respectively are mortgaged to secure the Group's bank loans (Note 25).

The carrying amount of plant and machinery held under finance leases at the reporting date were RMB15,884,000 (2015: RMB15,897,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

11. LAND USE RIGHTS

	Group	
	2016	**2015**
	RMB'000	**RMB'000**
Cost		
At 1 January	**65,089**	65,089
Additions	**2,401**	–
At 31 December	**67,490**	65,089
Accumulated amortisation		
At 1 January	**5,323**	4,021
Amortisation for the financial year	**1,317**	1,302
At 31 December	**6,640**	5,323
Net carrying amount	**60,850**	59,766
Amount of amortisation to be charged:		
– Not later than 1 year	**1,350**	1,302
– Later than 1 year but not later than 5 years	**5,399**	5,208
– Later than 5 years	**54,101**	53,256

The Group has land use rights over four plots (2015: four plots) of state-owned land in the PRC with the remaining amortisation periods as follows:

	Carrying amount		Remaining amortisation periods	
	2016	**2015**	**2016**	**2015**
	RMB'000	**RMB'000**	**Years**	**Years**
Land 1	**8,739**	8,943	**44**	45
Land 2	**31,704**	32,425	**45**	46
Land 3	**12,599**	12,863	**48**	49
Land 4[1]	**7,808**	5,535	**48-49**	49

(i) Including extended land amounting to RMB2,401,000 acquired during the year.

12. SUBSIDIARIES

	Company	
	2016	**2015**
	RMB'000	**RMB'000**
Unquoted equity shares, carried at cost		
Cost	**76,726**	76,031
Impairment losses	**(46,577)**	(47,106)
At 1 January	**30,149**	28,925
Effect of change in functional currency	**(98)**	–
	30,051	28,925
Additions	**15,773**	1,533
Currency translation differences	**2,801**	(309)
At 31 December	**48,625**	30,149

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

12. SUBSIDIARIES (Continued)

(i) Composition of the Group

Details of the subsidiaries are as follows:

Name of companies	Principal activities	Country of incorporation and place of business	Effective equity held by the Group		Carrying amount of investment	
			2016	2015	2016	2015
			%	%	RMB'000	RMB'000
Held by the Company						
Tri Star Security Pte. Ltd.[1]	Investment holding and general wholesale of semi-conductor instruments and parts and precision machining parts	Singapore	**100**	100	**20,998**	19,720
Tri Star Semicon Pte. Ltd.[1]	Investment holding	Singapore	**100**	100	**8,166**	7,670
Format Tresorbau Beteiligungs-GmbH[2] ("Format")	Investment holding	Germany	**100**	100	**1,289**	1,210
Matrix Mechatronix Technology (Philippines) Corp[3]	Develop, manufacture, assemble, sell and undertake after-sales service for high security products	Philippines	**100**	100	**1,650**	1,549
Krauth Technology GmbH[6]	Design and manufacture of intelligent terminals and providing electro-mechanical solution to customers	Germany	**100**	–	**16,522**	–
Tristar B.V.[5]	Investment holding	Netherlands	**100**	100	**–***	–*
					48,625	30,149

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

12. SUBSIDIARIES (Continued)

(i) Composition of the Group (Continued)

Name of companies	Principal activities	Country of incorporation and place of business	Effective equity held by the Group 2016 %	2015 %
Held through subsidiaries				
Tri Star Inc.(4)	Design and manufacture of high security products	PRC	**100**	100
Tri Star Technology Co., Ltd.(4)	Design and manufacture of semi-conductor instruments and parts and precision machining parts	PRC	**100**	100
Jiangsu Tri Star Technology Co., Ltd.(4)	Design and manufacture of semi-conductor instruments and parts and precision machining parts	PRC	**100**	100
Shanghai Tri Star Engineering Technology Co., Ltd.(5)	Research and development, engineering and prototype (inactive)	PRC	**100**	100
Jiangsu Tri Star Terminal Equipment Technology Co., Ltd.(4)	Manufacturing, assembly, maintenance and providing after-sales service of intelligent terminals (inactive)	PRC	**100**	100
Jiangsu Tri Star Trading Co., Ltd.(4)	Sale and providing after-sales service of safe, auto testing instruments, mechanical and electrical products (inactive)	PRC	**100**	100
Jiangsu Tri Star Equipment Co., Ltd.(4)	Manufacturing of security products, ATM, terminals and mechanical parts (inactive)	PRC	**100**	100
Format USA Inc.(5)	Sale and after sales service of security products, machinery parts and auto parts, including sales, procurement, customer service, after-sales service, warehousing and logistics	USA	**100**	100
Format USA LLC(5)	Property investment	USA	**100**	100
Format Tresorbau Verwaltungs GmbH(2)	Management service to Format Tresorbau GmbH & Co. KG	Germany	**100**	100
Format Tresorbau GmbH & Co. KG(2)	Design and manufacture of high security products	Germany	**100**	100
Tri Star GmbH(5)	Investment holding	Germany	**100**	100
Deutsche Mechatronics GmbH ("DTMT")(6)	Design and manufacture of intelligent terminals and providing electro-mechanical solution to customers	Germany	**100**(7)	100(7)
Mechatronics Technology HK Limited(5)	Investment holding	Hong Kong	**100**	100
Almex GmbH(6)(9)	Design and manufacture of intelligent terminals and providing electro-mechanical solution to customers	Germany	**100**	–
Metric Group Holdings Limited(8)	Investment holding	United Kingdom	**100**	–
Metric Group Limited(8)	Design and manufacture of intelligent terminals and providing electro-mechanical solution to customers	United Kingdom	**100**	–
Metric Group Inc.(5)	Sale and after sales service of intelligent terminals, machinery parts and auto parts, including sales, procurement, customer service and after-sales service	USA	**100**	–

(1) Audited by Crowe Horwath First Trust LLP.

(2) Audited by BDO AG Wirtschaftsprufungsgesellschaft, a firm of Certified Public Accountants in Germany.

(3) Audited by Sycip Gorres Velayo & Co. ("SGV & Co."), a firm of Certified Public Accountants in Philippines.

(4) Audited by Nantong Zhongtian Certified Public Accountant Co., Ltd., a firm of Certified Public Accountants in the PRC for local statutory reporting and by Crowe Horwath First Trust LLP for the purpose of expressing an opinion on the consolidated financial statements.

(5) These subsidiaries are not subject to local statutory audit for the financial year ended 31 December 2016. Their financial statements were reviewed by Crowe Horwath First Trust LLP for the purpose of expressing an opinion on the consolidated financial statements.

(6) Audited by Rwt Horwath GmbH, a firm of Certified Public Accountants in Germany.

(7) The current percentage of voting rights legally owned by the Group is 90%, as disclosed in Note 24D.

(8) Audited by Crowe Clark Whitehill LLP, a firm of Certified Public Accountants in United Kingdom.

(9) Incorporated during the financial year.

* Amount less than RMB1,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

12. SUBSIDIARIES (Continued)

(ii) Acquisition of businesses

Acquisition of Krauth

On 5 January 2016 (the "acquisition date"), the Company obtained control of Krauth Technology GmbH ("Krauth"), a developer and producer of solution products such as Auto-Ticketing Machines and Money Changers in Germany by acquisition of 100% shares and voting interest in Krauth for a total consideration of EUR2,473,000 (approximately RMB17,547,000). The consideration consists of cash consideration of RMB15,773,000 (including repayment of a shareholder's loan of RMB14,354,000) and an obligation to acquire an intangible asset of RMB1,774,000.

The Group acquired Krauth in order to capitalise on its strength to expand the intelligent terminal sector. With the acquisition by the Company, the financial support and other synergies with the Group would enable Krauth to improve its operating performance. This acquisition was entered into with a bargain purchase, resulting in a gain of approximately RMB1,833,000 recognised in the profit or loss under "Other income".

Krauth is included in Business Solutions segment.

Acquisition of Metric Group

On 5 October 2016 (the "acquisition date"), the Group's subsidiary, Tri Star Security Pte. Ltd., acquired Metric Group Holdings Limited ("Metric UK") by acquisition of 100% equity shares and voting interest in Metric UK from METRIC Mobility Solutions AG ("Metric AG"). On the same day, another newly incorporated subsidiary, Almex GmbH ("Almex") purchased certain assets in Germany from Metric AG. The purchase consideration of the acquisition of Metric UK and certain assets in Germany amounted to EUR2,888,000 (approximately RMB21,622,000). After considering the similar nature of business and the decision-making process of the acquisition, management is of the view that the acquisition of Metric UK and the assets in Germany ("Metric Group") is a combined transaction and thus its purchase price allocation valuation is conducted on a combined basis.

The acquisition enhances the Group's capability in advanced software design, access to good customer resources and achieves synergies in respect of research and development, design and manufacturing of intelligent terminals with the Group's existing operations. The financial support and other synergies with the Group would enable Metric Group to improve its operating performance. As holding company of Metric AG has filed for insolvency in June 2016, this acquisition conducted with the insolvency administrator was a bargain purchase, resulting in a gain of approximately RMB2,519,000 recognised in the profit or loss under "Other income".

Metric Group is included in Business Solutions segment.

Fair value of the identifiable assets acquired and liabilities assumed of Krauth and Metric Group

	Note	Krauth RMB'000	Metric Group RMB'000	Total RMB'000
Property, plant and equipment	10	1,680	8,627	10,307
Intangible assets	14	1,635	75,877	77,512
Cash and bank balances		214	4,971	5,185
Trade receivables		24,921	19,496	44,417
Other receivables		482	3,078	3,560
Inventories		30,117	61,800	91,917
Deferred tax assets		–	21,025	21,025
Borrowings		(7,105)	(1,160)	(8,265)
Trade payables		(4,867)	(12,083)	(16,950)
Other payables and accruals		(27,078)	(56,051)	(83,129)
Pension liabilities	27	–	(85,542)	(85,542)
Deferred tax liabilities		(619)	(15,897)	(16,516)
Fair value of total identifiable net assets acquired		19,380	24,141	43,521

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

12. SUBSIDIARIES (Continued)

(ii) Acquisition of businesses (Continued)

Bargain purchase arising from acquisition of Krauth and Metric Group

	Note	Krauth RMB'000	Metric Group RMB'000	Total RMB'000
Total consideration transferred		17,547	21,622	39,169
Less: Total identifiable net assets acquired		(19,380)	(24,141)	(43,521)
Gain on bargain purchase included in other income	29	(1,833)	(2,519)	(4,352)

Consideration transferred for the acquisition of Krauth and Metric Group

	Krauth RMB'000	Metric Group RMB'000	Total RMB'000
Consideration settled in cash	17,547[(i)]	20,124	37,671
Contingent consideration recognised as at acquisition date[(ii)]	–	1,498	1,498
	17,547	21,622	39,169

(i) Include amount of EUR250,000 (approximately RMB1,774,000) to acquire intangible asset.

(ii) As part of the purchase agreement with the former owner of Metric Group, additional cash payments of EUR250,000 shall be payable to the former owner of Metric Group, if the job offer from a customer, Lausanne, is awarded to Metric Group. As at the acquisition date, the fair value of the contingent consideration was estimated at EUR200,000 (approximately to RMB1,498,000). The contingent consideration remained unsettled as the date of this report.

Cash flows effect of the acquisition of Krauth and Metric Group

	Krauth RMB'000	Metric Group RMB'000	Total RMB'000
Total cash consideration transferred for 100% equity interest acquired	17,547	20,124	37,671
Less: Cash and cash equivalents of the subsidiary acquired	(214)	(4,971)	(5,185)
Net cash outflow on acquisition	17,333	15,153	32,486

Transaction costs of the acquisition of Krauth and Metric Group

Transaction costs related to the acquisition of Krauth and Metric Group of RMB1,494,000 and RMB575,000 respectively have been recognised in the "Administrative expenses" in the Group's profit or loss for the year ended 31 December 2016.

Trade and other receivables acquired

Krauth
Trade and other receivables acquired comprise of trade and other receivables with fair values of RMB24,921,000 and RMB482,000 respectively. Their gross amounts are RMB25,583,000 and RMB482,000 respectively. At the acquisition date, RMB662,000 of the contractual cash flows pertaining to trade receivables are not expected to be collected. Trade and other receivables as at acquisition date represent predominantly amounts due from customers and other receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

12. SUBSIDIARIES (Continued)

(ii) Acquisition of businesses (Continued)

Trade and other receivables acquired (Continued)

Metric Group
Trade and other receivables acquired comprise of trade and other receivables with fair values of RMB19,496,000 and RMB3,078,000 respectively. Their gross amounts are RMB21,054,000 and RMB3,078,000 respectively. At the acquisition date, RMB1,558,000 of the contractual cash flows pertaining to trade receivables are not expected to be collected. Trade and other receivables as at acquisition date represent predominantly amounts due from customers and other receivables.

Other fair value of assets acquired in Krauth and Metric Group

The management has engaged external valuation specialist to assist in the purchase price allocation process. The fair value of intangible asset-customer relationship, technical know-how and patent, and inventory is calculated by using Multi-Period Excess Earnings Method that considers the present value of net cash flows related to contributory assets. Total fair value adjustment and related deferred tax impact amounted to EUR7,971,000 and EUR2,138,000 (approximately RMB59,671,000 and RMB16,003,000) respectively.

The fair value of other assets and liabilities approximate their carrying amounts at acquisition date as the nature of other assets and liabilities does not subject to significant changes or fluctuation in value.

Impact of the acquisition on consolidated profit or loss

	Krauth RMB'000	Metric Group RMB'000
Acquisition date	5 January 2016	5 October 2016
From acquisition date to 31 December 2016		
Contribution to revenue for the year	117,216	61,038
Contribution to profit for the year	3,535	1,937
Assuming the acquisition had been effected on 1 January 2016		
Total revenue for the year of the Group	1,390,210*	1,629,255
Total profit for the year of the Group	126,104*	126,305

* As the acquisition date is closed to the beginning of the financial year, the Group's revenue and profit for the year would have insignificant changes if the business combination had taken place at beginning of the financial year.

13. ASSOCIATES

	Group 2016 RMB'000	Group 2015 RMB'000
Unquoted equity shares		
At 1 January	**6,968**	6,616
Share of post-acquisition profit	**125**	354
Currency translation differences	**–**	(2)
At 31 December	**7,093**	6,968

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

13. ASSOCIATES (Continued)

Details of the associates are as follows:

Name of companies	Principal activities	Country of incorporation and place of business	Effective equity held by the Group		Carrying amount of investment	
			2016 %	2015 %	2016 RMB'000	2015 RMB'000
Held through a subsidiary ("DTMT")						
DTMT China Holding GmbH(i)	Investment holding	Germany	**50**	50	**2,932**	2,932
DTMT (Hangzhou) Co., Ltd.(ii)	Design and manufacture of intelligent terminals and providing electro-mechanical solution to customers	PRC	**50**	50	**4,161**	4,036
					7,093	6,968

(i) The entity is dormant and not subject to local statutory audit.

(ii) Audited by Hangzhou Qinai Certified Public Accountants, a firm of Certified Public Accountants in the PRC.

The associates are not significant to the Group and are accounted for using the equity method in these consolidated financial statements.

The following table summarises the financial information of associates.

	2016 RMB'000	2015 RMB'000
Assets and liabilities		
Current assets	**7,131**	7,599
Non-current assets	**9,908**	10,161
Total assets	**17,039**	17,760
Total liabilities – current	**(2,853)**	(3,825)
Net assets	**14,186**	13,935
Carrying amounts of investments in associates at 50% shares	**7,093**	6,968

	2016 RMB'000	2015 RMB'000
Results		
Revenue	**13,757**	11,959
Profit/Total comprehensive income for the financial year	**251**	704

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

14. INTANGIBLE ASSETS

Group	Technical know-how and patent RMB'000	Development costs RMB'000	Customer relationship RMB'000	Total RMB'000
Cost				
At 1 January 2015/31 December 2015/ 1 January 2016	**1,327**	**31,188**	**–**	**32,515**
Additions	**4**	**2,581**	**–**	**2,585**
Acquisition of businesses (Note 12(ii))	**15,402**	**29,978**	**32,132**	**77,512**
Currency translation differences	**(309)**	**(424)**	**–**	**(733)**
At 31 December 2016	**16,424**	**63,323**	**32,132**	**111,879**
Accumulated amortisation				
At 1 January 2015	1,327	15,690	–	17,017
Amortisation for the financial year	–	5,461	–	5,461
At 31 December 2015	1,327	21,151	–	22,478
At 1 January 2016	**1,327**	**21,151**	**–**	**22,478**
Amortisation for the financial year	**622**	**6,540**	**803**	**7,965**
Currency translation differences	**(5)**	**4**	**(19)**	**(20)**
At 31 December 2016	**1,944**	**27,695**	**784**	**30,423**
Net carrying amount				
At 31 December 2016	**14,480**	**35,628**	**31,348**	**81,456**
At 31 December 2015	–	10,037	–	10,037

Amortisation expenses included in the profit or loss is analysed as follows:

	2016 RMB'000	2015 RMB'000
Cost of sales	**5,461**	5,461
Administrative expenses	**2,504**	–

	Carrying amount 2016 RMB'000	Carrying amount 2015 RMB'000	Remaining amortisation periods 2016 Years	Remaining amortisation periods 2015 Years
Development cost				
– High security products	**4,028**	8,943	**0.5 – 2.0**	1.5 – 3.0
– Intelligent terminal	**22,935**	–	**3.7 – 5.0**	–
Customer relationship	**31,348**	–	**9.8**	–
Technical know-how and patent				
– Intelligent terminal	**6,778**	–	**9.8**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

15. HELD-TO-MATURITY INVESTMENTS

	Group	
	2016	**2015**
	RMB'000	**RMB'000**
Current		
Bond 1	**3,561**	–
At 31 December	**3,561**	–
Non- current		
Bond 1	**–**	3,388
Bond 2	**6,268**	5,882
At 31 December	**6,268**	9,270

Bond 1

The USD denominated bond is listed on Singapore Stock Exchange which is issued by a company incorporated in Hong Kong and guaranteed by a company listed on Hong Kong Stock Exchange with a fixed interest rate of 8.70% per annum and maturity date of 24 November 2017.

Bond 2

The USD denominated bond is listed on Hong Kong Stock Exchange which is issued by a bank listed on Hong Kong Stock Exchange and Shanghai Stock Exchange with a fixed interest rate of 2.125% per annum and maturity date of 30 June 2018.

Fair value of the bonds is disclosed in Note 41(iii).

16. DEFERRED TAX

	Group	
	2016	**2015**
	RMB'000	**RMB'000**
At 1 January	**(14,735)**	(4,934)
Recognised in the profit or loss (Note 34)	**(8,575)**	(9,731)
Recognised in the other comprehensive income	**(1,330)**	–
Acquisition of businesses (Note 12(ii))	**4,509**	–
Currency translation differences	**(123)**	(70)
At 31 December	**(20,254)**	(14,735)
Presented after appropriate offsetting as follows:		
Deferred tax assets, net	**19,885**	2,283
Deferred tax liabilities, net	**(40,139)**	(17,018)
	(20,254)	(14,735)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

16. DEFERRED TAX (Continued)

The components and movement of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

	Consolidated statement of financial position		Consolidated statement of profit or loss and other comprehensive income	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Deferred tax assets/(liabilities)				
Recognised in profit or loss				
Net difference between net carrying amount of property, plant and equipment and intangible assets and their tax base	**(18,476)**	(3,959)	**(1,893)**	1,859
Provision for withholding tax	**(23,984)**	(13,739)	**10,245**	9,079
Derivative financial instruments	**(214)**	–	**214**	544
Unutilised tax losses	**6,176**	–	**(175)**	–
Deferred government grants	**1,653**	1,888	**235**	(1,720)
Allowances for doubtful debts and inventories obsolescence	**666**	192	**(474)**	555
Others	**933**	883	**423**	(586)
	(33,246)	(14,735)	**8,575**	9,731
Recognised in other comprehensive income				
Deferred tax on pension scheme liability	**12,992**	–	**1,330**	–
	(20,254)	(14,735)	**9,905**	9,731

During the financial year, the Group recognised for deferred tax liabilities amounting to RMB10,245,000 (2015: RMB9,079,000) relating to the withholding taxes payable on the entire undistributed profits of the PRC subsidiaries as the management view it to be probable to be distributed in the foreseeable future. The accumulated balance of such deferred tax liabilities as at 31 December 2016 amounted to RMB23,984,000 (2015: RMB13,739,000).

Deferred tax assets are recognised to the extend that it is probable that future taxable profit will be available against which the unused tax credit can be utilised. The use of unutilised tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation in respective countries.

17. INVENTORIES

	Group		Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Raw materials	**161,627**	75,379	**–**	–
Raw materials-in-transit	**4,033**	4,827	**–**	–
Work-in-progress	**41,971**	20,475	**–**	–
Finished goods	**57,827**	46,893	**–**	–
Finished goods-in-transit	**8,841**	4,210	**–**	3,701
	274,299	151,784	**–**	3,701

The cost of inventories recognised as expenses in "Cost of sales" amounted to RMB663,702,000 (2015: RMB589,297,000), which includes the amount recognised during the year for write-down and write back amounting to RMB6,678,000 and RMB2,881,000 (2015: RMB623,000 and RMBNil) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

18. TRADE RECEIVABLES

	Group		Company	
	2016 RMB'000	**2015 RMB'000**	**2016 RMB'000**	**2015 RMB'000**
Trade receivables	**260,905**	196,170	**5,704**	3,049
Less: Allowance for impairment loss (Note 40(iii))	**(3,255)**	(206)	**–**	–
	257,650	195,964	**5,704**	3,049
Value-added tax receivables	**3,200**	262	**–**	–
	260,850	196,226	**5,704**	3,049

19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2016 RMB'000	**2015 RMB'000**	**2016 RMB'000**	**2015 RMB'000**
Other receivables	**5,245**	1,277	**310**	–
Deposits	**337**	83	**–**	–
Prepayments*	**4,132**	3,794	**–**	–
Tax refundable	**135**	–	**–**	–
	9,849	5,154	**310**	–

* In prior year, prepayments consisted of an amount of RMB2,199,000 made for the additions to property, plant and equipment.

20. DUE FROM SUBSIDIARIES (NON-TRADE)/DUE TO SUBSIDIARY (TRADE AND NON-TRADE)/DUE TO A RELATED PARTY (TRADE)

The amounts due from subsidiaries included a dividend receivable from a subsidiary amounting to RMB39,205,000 (2015: RMB37,165,000) and loan amounting to RMB34,907,000 (2015: RMBNil) with an interest at 2.5% per annum.

The amounts due to subsidiaries consisted of trade and non-trade balances amounting to RMB40,626,000 and RMB26,424,000 (2015: RMBNil and RMBNil) respectively. Out of the non-trade balances, RMB6,899,000 (2015: RMBNil) is a loan with interest at 2% per annum.

The trade balance due to a related party arose from the purchases of raw materials from a company in which a director of the Company has controlling financial interest.

Other than those disclosed above, the remaining balances are interest-free, unsecured and repayable on demand.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2016 RMB'000	**2015 RMB'000**
At 1 January, at fair value	**6,545**	100,000
Additions	**3,290**	6,268
Redemption	**–**	(100,000)
Gain on fair value changes	**130**	6
Currency translation differences	**631**	271
At 31 December, at fair value	**10,596**	6,545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

2015

In 2014, the Group invested in structured deposits with maturity periods ranging from 3 to 6 months with 2 local PRC financial institutions, namely Ping An Trust and Hua Tai Securities (平安信托和华泰证券). All the structured deposits invested in 2014 have matured in 2015, resulting a gain of RMB2,029,000 included in finance income (Note 31).

2016

The available-for-sale financial assets represent USD denominated bonds issued by Credit Suisse AG with a fair value of RMB10,596,000 (2015: RMB6,545,000) as at 31 December 2016. During the financial year, interest amounting to RMB284,000 (2015: RMBNil) is included in finance income (Note 31).

22. CASH AND BANK BALANCES

	Group		Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Cash in hand	**706**	268	**–**	–
Cash at banks	**280,370**	225,466	**32,725**	31,717
Fixed deposits (Note A)	**13,930**	14,710	**–**	–
Cash and bank balances	**295,006**	240,444	**32,725**	31,717
Less: Pledged bank balances (Note B)	**(25,001)**	(232)		
Cash and cash equivalents as stated in consolidated statement of cash flows	**270,005**	240,212		

As at 31 December 2016, the Group has cash and bank balances deposited with banks in the PRC, denominated in Chinese Renminbi ("RMB") amounting to approximately RMB11,511,000 (2015: RMB19,256,000). The RMB is not freely convertible into foreign currencies. In accordance with the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

Note A

The fixed deposits of the Group have remaining maturity periods of 1 month (2015: 1 to 12 months). The fixed deposits bear interest of 0.50% (2015: 0.40% to 4.30%) per annum.

Note B

As at 31 December 2016, bank balances of RMB25,001,000 are pledged in connection with bank guarantee provided to subsidiaries.

As at 31 December 2015, bank balances of RMB232,000 were pledged in connection with derivative financial instruments as disclosed in the Note 23 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

23. DERIVATIVE FINANCIAL INSTRUMENTS

The table below sets out the notional principal amounts of the outstanding forward currency contracts of the Group, and their corresponding fair value at the reporting date:

	Group	
	2016 RMB'000	2015 RMB'000
Notional principal		
Forward currency contracts	**39,096**	–
Derivative assets		
Forward currency contracts	**1,427**	–

Forward currency contracts are used to hedge the Group's exposure to foreign exchange rates changes in the receivables and forecast sales denominated in the United States dollar against Renminbi. The settlement dates of these contracts ranged from 1 to 12 months from the reporting date.

No hedge accounting is applied on these forward currency contracts as the forward contracts were assessed to be ineffective hedge and a fair value gain of RMB1,427,000 (2015: RMB Nil) has been recognised in profit or loss for the year on the open contracts.

A settlement loss of RMB168,000 (2015: gain of RMB6,215,000) (Note 32 and 29) have been recognised in the profit or loss for the financial year on the closed contracts in the financial year.

In prior year, bank balances of RMB232,000 are pledged in connection with derivative financial instruments (Note 22).

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Current				
Advances from customers	**20,215**	3,835	**–**	–
Accrued expenses (Note A)	**51,738**	38,412	**1,363**	1,800
Other payables (Note B)	**78,439**	39,242	**–**	–
Contingent consideration (Note C)	**1,461**	–	**–**	–
Other taxes payable	**1,482**	1,567	**–**	–
	153,335	83,056	**1,363**	1,800
Non-current				
Other payables				
– Redemption liability (Note D)	**2,961**	2,565	**–**	–
– Contingent consideration (Note 41(i))	**–**	–	**–**	–
	2,961	2,565	**–**	–

Note A

Included in accrued expenses is accrued payroll expenses amounting to RMB41,586,000 (2015: RMB38,012,000) and RMB840,000 (2015: RMB1,800,000) of the Group and Company respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

24. OTHER PAYABLES AND ACCRUALS (Continued)

Note B

Included in other payable are:

(a) loans from former owner of Metric Group Limited comprised of a 7%-interest EUR700,000 loan (equivalent to RMB5,077,000) (2015: RMBNil) that is repayable by 28 February 2017 and a 3.5%-interest EUR3,000,000 loan (equivalent to RMB21,760,000) (2015: RMBNil) that is repayable by 29 December 2017;

(b) EUR220,875 (equivalent to RMB1,614,000) (2015: EUR300,000 (equivalent to RMB2,129,000)), representing additional purchase consideration, payable to the former owner of DTMT which was based on agreed amount as DTMT had reached the profit threshold stipulated in the agreement entered into for the Group's acquisition of DTMT in 2014. Partial payment has been made during the year; and

(c) amount of RMB1,923,000 (2015: RMB Nil) payable to acquire new plant and equipment as at 31 December 2016.

Note C

As at 31 December 2016, contingent consideration consists of EUR200,000 (equivalent to RMB1,461,000) (2015: RMBNil) payable to former owner of Metric Group which is measured at fair value. The amount is recognised on the basis that it is probable that Metric UK will be awarded a major contract by a customer (Note 12(ii)).

Note D

As part of the acquisition of additional 30% equity interest in DTMT in October 2014, the Group had agreed with the non-controlling interests to acquire the remaining 10% equity interest in DTMT for a fixed consideration of EUR500,000 (equivalent to RMB3,653,000) on 1 January 2019. As the consideration for the 10% equity interest in DTMT is fixed, not subject to other changes and both parties has no right to cancel the agreement, as such, the risk and rewards of the remaining interest of DTMT has been deemed to have transferred to the Group. In addition, as the dominant shareholder of DTMT and due to the agreement to acquire the remaining equity interest, the Group is able to fully control and manage the economic benefits of DTMT.

As a result, the non-controlling interest was de-recognised and the present value of the fixed consideration payable was recognised as redemption liability. The consideration is payable on 1 January 2019. The unwinding of discount of RMB321,000 (2015: RMB303,000) is recognised in profit or loss as "Finance costs" in Note 31.

25. BORROWINGS

Group	Due within 1 year RMB'000	Due after 1 year but less than 5 years RMB'000	Due after 5 years RMB'000	Total RMB'000
2016				
Loans(i)	**103,989**	**8,107**	**1,014**	**113,110**
Finance lease obligations(ii)	**2,883**	**6,953**	**785**	**10,621**
	106,872	**15,060**	**1,799**	**123,731**
2015				
Loans(i)	44,639	3,262	407	48,308
Finance lease obligations(ii)	2,200	3,062	1,373	6,635
	46,839	6,324	1,780	54,943

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

25. BORROWINGS (Continued)

(i) Loans

Group	Due within 1 year RMB'000	Due after 1 year but less than 5 years RMB'000	Due after 5 years RMB'000	Total RMB'000
2016				
Loan 1 (Unsecured) – Floating rate	**30,000**	**–**	**–**	**30,000**
Loan 2 (Unsecured) – Floating rate	**20,000**	**–**	**–**	**20,000**
Loan 3 (Secured) – Fixed rate	**871**	**3,049**	**–**	**3,920**
Loan 4 (Secured) – Fixed rate	**26,134**	**–**	**–**	**26,134**
Loan 5 (Secured) – Floating rate	**25,606**	**–**	**–**	**25,606**
Loan 6 (Secured) – Fixed rate	**157**	**–**	**–**	**157**
Loan 7 (Secured) – Fixed rate	**1,221**	**5,058**	**1,014**	**7,293**
	103,989	**8,107**	**1,014**	**113,110**
2015				
Loan 3 (Secured) – Fixed rate	815	3,262	407	4,484
Loan 4 (Secured) – Fixed rate	28,187	–	–	28,187
Loan 5 (Secured) – Floating rate	4,923	–	–	4,923
Loan 6 (Secured) – Fixed rate	4,198	–	–	4,198
Loan 8 (Unsecured) – Floating rate	6,516	–	–	6,516
	44,639	3,262	407	48,308

Loan 1 (Unsecured)

This RMB-denominated loan is obtained by a PRC subsidiary during the year from a PRC branch of a multinational bank to finance the working capital and purchase of raw materials. The loan bears interest at China loan prime rate plus 0.05% per annum and is repayable by 5 June 2017.

Loan 2 (Unsecured)

This RMB-denominated loan is obtained by a PRC subsidiary during the year from a PRC branch of a multinational bank to finance the working capital and purchase of raw materials. The loan bears interest at China loan prime rate plus 0.05% per annum and is repayable by 12 July 2017.

Loan 3 (Secured)

This USD-denominated loan is obtained by a US subsidiary from a US bank to finance the acquisition of a warehouse in US. The Company and a subsidiary, Format USA Inc. provided guarantee for the loan. The loan bears interest at 4.80% per annum and is repayable in 84 instalments by 15 June 2021. The loan is secured by a pledge over the warehouse.

Loan 4 (Secured)

This EUR-denominated loan is secured by the land of a German subsidiary, represents the existing loan of the German subsidiary acquired in 2014. The loan bears interest at 5.50% per annum, and is repayable by 20 March 2024. However, the loan agreement includes an overriding repayment on demand clause at the bank's discretion, irrespective of whether a default event has occurred. Accordingly, the loan is classified as a current liability as at 31 December 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

25. BORROWINGS (Continued)

(i) Loans (Continued)

Loan 5 (Secured)

This EUR-denominated loan is obtained by a German subsidiary from a German bank to finance the working capital. Additional drawdown of EUR2,883,000 (approximately RMB21,066,000) was made during the year. The Company and Tri Star Inc. provided guarantee for the loan. The loan bears interest at 3-month EURIBOR plus a margin of 150 basis points per annum and is repayable by 31 July 2017.

Loan 6 (Secured)

This EUR-denominated loan is obtained by a German subsidiary from a German bank to finance the working capital. The Company provided guarantee for the loan. The loan bears interest at 2.10% per annum and is repayable on demand.

Loan 7 (Secured)

This EUR-denominated loan is obtained by a newly acquired German subsidiary from a German bank to finance the acquisition of freehold land and building in German. The loan bears interest at 1.57 % per annum and is repayable by 30 August 2022. The loan is secured by a pledge over the freehold land and building of the subsidiary.

Loan 8 (Secured)

This USD-denominated loan is obtained by a PRC subsidiary from a PRC branch of a multinational bank to finance the working capital and purchase of raw material. The loan bears interest at 3.00% plus Libor rate per annum and fully repaid in 2016.

(ii) Finance lease obligations

Interest is payable at effective interest rate ranging from 1.25% to 15.11% (2015: 1.25% to 5.49%) per annum and the finance lease obligation of the Group are effectively secured over certain plant and machinery of the Group (Note 10) as the legal title is retained by the lesser and will be transferred to the Group upon full settlement of the finance lease obligations.

	Group	
	2016 RMB'000	2015 RMB'000
Due within 1 year (current)		
Minimum lease payment	**3,340**	2,307
Interest	**(457)**	(107)
Present value of minimum lease payment	**2,883**	2,200
Due after 1 year less than 5 years (non-current)		
Minimum lease payment	**7,466**	3,207
Interest	**(513)**	(145)
Present value of minimum lease payment	**6,953**	3,062
Due after 5 years (non-current)		
Minimum lease payment	**797**	1,394
Interest	**(12)**	(21)
Present value of minimum lease payment	**785**	1,373
Total finance lease obligations	**10,621**	6,635

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

26. DEFERRED INCOME

	Group	
	2016	2015
	RMB'000	RMB'000
Government grant I	**400**	1,360
Government grant II	**6,370**	6,734
Government grant III	**6,444**	6,240
	13,214	14,334

The movement in the government grants is as follows:

	Group	
	2016	2015
	RMB'000	RMB'000
At 1 January	**14,334**	9,418
Addition	**204**	6,240
Amortisation for the financial year	**(1,324)**	(1,324)
At 31 December	**13,214**	14,334

Government grant I

This relates to amounts received from the PRC government by a subsidiary in 2009 to finance a major development project for developing a new material used in the high security segment. The project is completed by October 2011 with development cost capitalised as intangible assets (Note 14). However, partial refund of RMB1,700,000 was made in 2012 to the PRC government as certain criteria was not met. The balance is amortised over the remaining useful life of the development project.

Government grant II

On 29 September 2010, a Singapore subsidiary and a PRC subsidiary entered into an agreement with Sutong Science Park Management Office ("SSPMO") to set up a new research and development centre in Sutong Industrial Park. Under the terms of the agreement, a total grant of RMB24,260,000 will be provided by SSPMO to finance the building infrastructure for the construction of roads, underground work, utilities supply and environmental facilities in accordance with the stages of completion of the construction. The Group received the first tranche of the grant in cash amounting to RMB7,280,000 from SSPMO in 2012. The amount received is amortised over the useful life of the leasehold building commencing from July 2014. The Group is in the process of applying for the disbursement of the remaining grant.

Government grant III

On 21 April 2014, a PRC subsidiary entered into an agreement with Nantong Economic and Technological Development Zone Management Office ("NTETDZMO") to set up a new research and development centre in Nantong Economic and Technological Development Zone. Under the terms of the agreement, a total grant of RMB7,800,000 will be provided by NTETDZMO to finance the building infrastructure for the construction of roads, underground work, utilities supply and environmental facilities in accordance with the stages of completion of the construction. The Group received the first tranche of the grant in cash amounting to RMB6,240,000 from government in 2015 and tax refund of RMB204,000 was received during the year. The remaining grant will be received upon completion of the construction which is expected in 2017. The amount received will be amortised over the useful life of the building after the construction is completed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

27. PENSION LIABILITY

	2016 RMB'000
The amount recognised is determined as follows:	
Fair value of plan assets	**59,208**
Present value of plan liabilities	**(135,631)**
Net liability recognised	**(76,423)**

A newly acquired subsidiary in United Kingdom, Metric UK, operates a defined benefit pension scheme, namely Metric Group Pension Fund (the "Plan") which is a closed final salary scheme. The Plan comprises 3 sections:

The *pre 1992 section* – benefits were accrued on a purely defined benefit basis prior to 1 July 1992;

The *1992-97 section* – benefits were accrued on a money purchase basis (defined contribution basis) subject to a Guaranteed Minimum Pension ("GMP") underpin between 1 July 1992 and 5 April 1997; and

The *post 1997 section* – benefits were accrued on a purely money purchase basis with no underpin after 5 April 1997.

The Plan has ceased new defined benefit accrual since 1997. The key assumptions underlying the valuation of the Plan (consist of defined benefits and GMP) are set out below. The key risks to Metric UK arise from:–

(i) asset value vitality – the scheme is predominantly invested in equity securities.
(ii) bond yields – a reduction in yields has the effect of increasing the value of the scheme's liabilities.
(iii) inflation risk – the pension liabilities are linked to inflation and therefore higher rates of inflation will increase the scheme liabilities.
(iv) Life expectancy – and increase in the life expectancy of scheme members will increase the value of the scheme's liabilities.

A comprehensive actuarial valuation using the projected unit basis was carried out at 31 December 2016 by the independent consulting actuaries, Hughes Price Walker Limited.

	2016 RMB'000
Movement of net liabilities recognised	
At the date of acquisition (Note 12(ii))	**(85,542)**
Interest expenses	**(398)**
Re-measurement gains	**7,527**
Contribution by scheme participants	**687**
Currency translation differences	**1,303**
At the end of the year	**(76,423)**
Reconciliation of present value of plan liabilities	
At the date of acquisition, 5 October 2016	**(144,991)**
Interest expenses	**(778)**
Re-measurement gains	
– Actuarial gains arising from changes in financial assumptions	**6,501**
– Actuarial gains arising from changes in demographic assumptions	**25**
– Actuarial gains arising from changes in experience adjustment	**9**
Benefits paid	**1,416**
Currency translation differences	**2,187**
At the end of the year	**(135,631)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

27. PENSION LIABILITY (Continued)

	2016 RMB'000
Reconciliation of present value of plan assets	
At the date of acquisition, 5 October 2016	59,449
Interest income	380
Re-measurement gains	
– Return on plan assets	992
Contributions by scheme participants	687
Benefits paid	(1,416)
Currency translation differences	(884)
At the end of the year	59,208
Composition of plan assets	
Equities and structured investments	31,051
Gilts	928
Bonds	6,935
Absolute return investments	4,314
Property	1,617
Cash Annuities	6,254
Individual member funds at 1992-1997 DC section	8,109
Total plans assets	59,208

The interest on obligation amounting to RMB398,000 was recognised in profit or loss as finance cost in the current year. The re-measurement gains amounting to RMB7,527,000 was recognised in other comprehensive income during the current year.

The principal actuarial assumptions used as at the reporting date and at the date of acquisition were as follow:

	At 31 December 2016	At the date of acquisition
Financial assumptions (%)		
Discount rate	2.65	2.30
Future pension increase	3.00	3.00
Inflation – RPI(i)	3.35	3.15
Inflation – CPI(ii)	2.35	2.15
Demographic assumptions (years)		
Mortality rates (expected future lifetime from age 65)		
– Male currently aged 65	22.00	22.00
– Male currently aged 45	23.30	23.30
– Female currently aged 65	24.00	24.00
– Female currently aged 45	25.50	25.50

(i) Retail price index in United Kingdom

(ii) Consumer price index in United Kingdom

The sensitivity of the defined benefit obligation to changes in the principal assumptions is as follows. These sensitivity analysis area based on a change in each assumption in isolation, with other assumptions held constant. In practice this is unlikely to occur and changes in some assumptions may be correlated.

	Change in assumption	Approximate increase in obligation RMB'000
Discount rate	0.10% p.a. lower	1,617
Rate of mortality	improved by 0.5%	3,234

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

28. REVENUE

	Group	
	2016	2015
	RMB'000	RMB'000
Sales of automated teller machines and commercial safe	**849,717**	821,346
Sales of electro-mechanical engineering equipment, ticketing and vending machines and modules precision engineering parts and other products[i]	**540,493**	372,402
	1,390,210	1,193,748

(i) Includes service revenue in relation to certain design and engineering projects amounting to RMB32,892,000 (2015: RMBNil).

29. OTHER INCOME

	Group	
	2016	2015
	RMB'000	RMB'000
Allowance for trade doubtful debts written back (Note 40(iii))	**46**	90
Amortisation of deferred government grant (Note 26)	**1,324**	1,324
Government grants (Note A)	**1,854**	3,543
Sales of raw materials	**825**	2,902
Sales of steel scrap	**4,005**	2,537
Settlement of forward contracts (Note 23)	**–**	6,215
Fair value changes on contingent consideration	**–**	2,765
Fair value gain on forward contract (Note 23)	**1,427**	–
Gain on bargain purchase arising from acquisition (Note 12(ii))	**4,352**	–
Gain on disposal of property, plant and equipment	**379**	–
Foreign exchange gain, net	**12,347**	6,404
Others	**2,299**	1,354
	28,858	27,134

Note A

Government grants relate to one-off cash grants received from the local government authority in the PRC. These cash grants are given to the subsidiaries, for following purposes without any conditions or contingencies attached and is not related to any assets of the Group.

Detail of government grants were as follows:

	Group	
	2016	2015
	RMB'000	RMB'000
Research and development subsidy	**875**	–
Technology grant	**60**	1,207
Company growth incentives	**703**	1,439
Others	**216**	897
	1,854	3,543

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

30. PERSONNEL EXPENSES

	Group	
	2016	**2015**
	RMB'000	**RMB'000**
Wages, salaries and bonuses(i)	**319,298**	240,241
Other short-term employees' benefits(ii)	**11,591**	12,671
Total short-term employees' benefits	**330,889**	252,912
Defined contribution pension scheme(i)	**42,896**	37,298
	373,785	290,210

(i) Includes key management personnel and directors' remuneration as disclosed in Note 37.

(ii) Includes staff welfares and union funds.

31. FINANCE (COSTS)/INCOME, NET

	Group	
	2016	**2015**
	RMB'000	**RMB'000**
Finance income		
Interest income		
– Available-for-sale financial assets	**284**	2,029
– Bank interest	**494**	3,004
– Held-to-maturity investments	**344**	140
	1,122	5,173
Finance costs		
Interest expenses on bank loans and finance leases	**(5,904)**	(2,858)
Unwinding discount on redemption liability (Note 24D)	**(321)**	(303)
Net interest on net defined benefit liability (Note 27)	**(398)**	–
	(6,623)	(3,161)
Finance (costs)/income, net	**(5,501)**	2,012

32. OTHER EXPENSES

	Group	
	2016	**2015**
	RMB'000	**RMB'000**
Amortisation of land use rights (Note 11)	**1,317**	1,302
Allowance for Impairment loss on trade receivables (Note 40(iii))	**897**	47
Loss on disposal of property, plant and equipment	**–**	722
Loss on settlement of forward contracts (Note 23)	**168**	–
Value added tax adjustments	**2,889**	–
Contingent consideration (Note 24B)	**–**	2,129
Others	**927**	818
	6,198	5,018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

33. PROFIT BEFORE TAX

This is determined after charging/(crediting) the following:

	Group	
	2016 **RMB'000**	**2015** **RMB'000**
Auditors' remuneration		
– auditors of the Company	**1,205**	877
– other auditors	**1,758**	564
Non-audit fees paid to		
– auditors of the Company	**24**	292
Amortisation of intangible assets (Note 14)	**7,965**	5,461
Amortisation of land use rights (Note 11)	**1,317**	1,302
Depreciation of property, plant and equipment (Note 10)	**24,244**	19,400
Development costs	**33,821**	27,861
Directors' fees		
– directors of the Company (Note 37)	**1,716**	1,652
Directors' remuneration		
– directors of the Company	**2,167**	2,301
Operating lease expenses	**12,711**	7,333
Allowance for trade doubtful debts written back (Note 40(iii))	**(46)**	(90)
Allowance for stock obsolescence	**6,678**	623
Allowance for stock obsolescence written back	**(2,881)**	–
Allowance for impairment loss on trade receivables (Note 40(iii))	**897**	47
Personnel expenses (Note 30)*	**373,785**	290,210

* Includes directors' remuneration and directors' fees as disclosed in this note.

34. INCOME TAX

	Group	
	2016 **RMB'000**	**2015** **RMB'000**
Income tax		
– Current financial year	**27,462**	23,433
– Over provision in the previous financial years	**(1,641)**	(1,729)
Deferred tax (Note 16)		
– Current financial year	**8,575**	10,181
– Over provision in the previous financial years	**–**	(450)
	34,396	31,435

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

34. INCOME TAX (Continued)

The reconciliation of the tax expenses and the product of accounting profit multiplied by the applicable rate are as follows:

	Group	
	2016	**2015**
	RMB'000	**RMB'000**
Profit before tax	**160,500**	149,435
Tax expenses based on PRC statutory tax rate of 25% (2015: 25%)	**40,125**	37,359
Tax concession in PRC	**(13,644)**	(12,219)
Differences in tax rates in different jurisdictions	**(2,982)**	(2,589)
Income not subject to tax	**(2,950)**	(3,186)
Tax incentive	**(871)**	(388)
Expenses not deductible	**6,016**	6,617
Current financial year tax losses carried forward not recognised as DTA	**733**	–
Utilisation of tax losses brought forward previously not recognised as DTA	**(853)**	(919)
Deferred tax on undistributed profits of the PRC subsidiaries	**10,245**	9,079
Over provision in the previous financial years	**(1,641)**	(2,179)
Others	**218**	(140)
Income tax expense	**34,396**	31,435

As at 31 December 2016, the Group has unused tax losses of RMB2,933,000 related to subsidiaries in PRC that will expire in 2021. As at 31 December 2015, the Group has unused tax losses of RMB2,070,000 related to a subsidiary in Germany with no expiry term which has been fully utilised during current financial year. No deferred tax asset is recognised due to uncertainty of its recoverability. The use of these balances is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation in respective countries.

The Company and Singapore subsidiaries

The Company and these subsidiaries are subjected to applicable tax rate of 17%.

Tri Star Inc. (PRC)

In accordance with the Income Tax Law of the PRC for New and High Technology Enterprise and various approval documents issued by the Tax Bureau of the PRC, the subsidiary, being awarded the "High Technology Enterprise" status, enjoys a concessionary tax rate of 15%, from year 2015 to 2017 as compared to the statutory tax rate for PRC companies of 25%. The tax status is expected to be renewed after the expiration on year 2017.

Tri Star Technology Co., Ltd. (PRC)
Jiangsu Tri Star Technology Co., Ltd. (PRC)
Shanghai Tri Star Engineering Technology Co., Ltd. (PRC)
Jiangsu Tri Star Terminal Equipment Technology Co., Ltd. (PRC)

The above subsidiaries are subjected to applicable tax rate of 25%.

Jiangsu Tri Star Trading Co., Ltd. (PRC)
Jiangsu Tri Star Equipment Co., Ltd. (PRC)

The subsidiaries are subjected to applicable tax rate of 25%. They are dormant and has no taxable income for the period from the date of incorporation to 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

34. INCOME TAX (Continued)

German subsidiaries

The subsidiaries are subjected to applicable tax rates ranged from 13.65% to 33.26% subject to applicable trade tax and solidarity surcharge.

Format USA Inc., Format USA LLC and Metric Group Inc.

These subsidiaries are subjected to applicable states tax rate of 8.84% and federal tax rate of 35%.

Matrix Mechatronix IX Technology (Philippines) Corp.

This subsidiary is subjected to applicable tax rate of 30%.

Mechatronics Technology HK Limited

This subsidiary is subjected to applicable tax rate of 16.5%. It has no taxable income for the period from the date of incorporation to 31 December 2016.

The United Kingdom subsidiaries

The subsidiaries are subjected to applicable tax rate of 20%.

35. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the financial year attributable to the equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	2016	**2015**
Profit attributable to the equity holders of the Company (RMB'000)	**126,104**	118,000
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**356,536**	356,536
Basic earnings per share (RMB cents per share)	**35.37**	33.10

Diluted earnings per share is calculated by dividing net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year after adjusting for the effects of all dilutive potential ordinary shares. As there are no dilutive potential ordinary shares issued and/or granted, diluted earnings per share is the same as basic earnings per share.

36. DIVIDENDS

	Group	
	2016	**2015**
	RMB'000	**RMB'000**
Declared and paid during the financial year		
Dividends on ordinary shares:		
– Interim exempt (one-tier) dividend of SGD0.01 (2015: SGD0.015) per share	**17,493**	24,376

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

37. RELATED PARTY INFORMATION

Some of the arrangements with related parties (as defined in Note 2 above) and the effects of these bases determined between the parties are reflected elsewhere in this report. Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related party are disclosed below.

	Group 2016 RMB'000	Group 2015 RMB'000
(a) Transactions		
Purchase of raw materials from a related party[i]	**458**	661
Rental expenses paid to a related party[i]	**3,799**	3,735
(b) Compensation of key management personnel		
Short-term employees benefits[ii]	**7,754**	7,362
Defined contribution pension scheme	**203**	168
Comprise amounts paid/payable to:		
Directors of the Company	**3,883**	3,953
Other key management personnel	**4,075**	3,577

(i) Related party refers to a company in which a director of the Company has controlling financial interest.

(ii) Includes director fees of RMB1,716,000 (2015: RMB1,652,000).

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. All directors and certain managers are considered key management personnel.

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

38. COMMITMENTS

(i) Non-cancellable operating lease commitments

The Group leases land and building, offices and certain plant and machinery under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

The future aggregate minimum lease payable under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities are as follows:

	Group 2016 RMB'000	Group 2015 RMB'000
Future minimum lease payments		
– Not later than 1 year	**13,538**	7,856
– Later than 1 year and not later than 5 years	**17,160**	14,892
	30,698	22,748

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

38. COMMITMENTS (Continued)

(i) Non-cancellable operating lease commitments (Continued)

In addition, a subsidiary in Philippines had entered into a long-term lease agreement with the government for the lease of land on which the factory is erected. The tenure of the lease is 50 years commencing from July 2015, with an annual lease of PESO1,407,738 (equivalent to RMB197,000), which is subject to an annual increase of 5% per annum, at least up to year 2024. The lease is cancellable by the subsidiary in the event that the subsidiary suffers losses to the extent that its continued operation is no longer viable as shown by its latest audited financial statements. The lease payments payable for the next 50 years are analysed as follows:

	Group	
	2016	**2015**
	RMB'000	**RMB'000**
Future minimum lease payments		
– Not later than 1 year	**197**	197
– Later than 1 year and not later than 5 years	**788**	788
– Later than 5 years	**10,331**	10,528
	11,316	11,513

(ii) Future capital expenditure

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Capital expenditure contracted but not provided in the financial statements:				
– In respect of plant and machinery	**4**	1,355	**–**	–
– In respect building construction in progress	**12,978**	16,118	**–**	–
– In respect of acquisition of a new subsidiary	**–**	15,773	**–**	15,773
– In respect of acquisition of a technical know-how	**–**	1,774	**–**	1,774
	12,982	35,020	**–**	17,547
Capital expenditure approved but not contracted for and provided in the financial statements:				
– Commitments in respect of a new research and development center	**112,072**	119,098	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

39. SEGMENT INFORMATION

The Group has 2 reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO (the chief operating decision maker) reviews internal management reports on a regular basis. The following summary describes the operations in each of the Group's reportable segments:

(1) High Security – Design and manufacture of Automated Teller Machine ("ATM") safes, fire-resistant commercial safes, safes for storage of weapons and other security products.

(2) Business Solutions – Provide business solutions to customers by designing, engineering, manufacturing and assembling electro-mechanical equipment, ticketing and vending machines (including intelligent terminals) and modules, precision engineering parts, semi-conductor instruments and other modules products.

The newly acquired businesses (Note 12(ii)) are classified in business solutions segment as they are similar in business nature which is to provide various business solutions (i.e. technologies in ticketing and vending machines) to their customers and are managed by the Group's CEO (the chief operating decision maker) in combination. Their operating results are monitored for the purpose of making decisions about resource allocation and performance assessment.

Other operations include investment holding companies with head-office corporate functions and inactive companies. Expenses incurred by these companies, which mainly include remuneration for key management personnel under corporate functions, are presented as unallocated expenses in the reconciliation below.

Information regarding the results of each reportable segment is included below. Performance is measured based on profit from operations segment, which represents profit before interest and tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment assets reported to the Group's CEO represents the total assets of the reportable segments. There are no inter-segment transactions.

2016	**High Security RMB'000**	**Business Solutions RMB'000**	**Total RMB'000**
Revenue			
External sales	**849,717**	**540,493**	**1,390,210**
Segment results			
Profit from operations	**153,119**	**16,473**	**169,592**
Finance cost, net			**(5,501)**
Unallocated expenses			**(3,591)**
Profit before tax			**160,500**
Income tax			**(34,396)**
Profit for the financial year			**126,104**
Segment assets			
Reportable segment assets	**618,042**	**668,408**	**1,286,450**
Unallocated assets			
– Cash and bank balances			**38,917**
– Held-to-maturity investments			**9,829**
– Available-for-sale financial assets			**10,596**
– Property, plant and equipment			**10,046**
– Others			**20**
			1,355,858

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

39. SEGMENT INFORMATION (Continued)

2016	**High Security RMB'000**	**Business Solutions RMB'000**	**Total RMB'000**
Other segment items			
Amounts included in the measure of segment assets:			
Additions to property, plant and equipment	**11,631**	**43,878**	**55,509**
Additions to land use rights	**2,401**	**–**	**2,401**
Additions to intangible assets	**–**	**2,585**	**2,585**
Investment in associates	**–**	**7,093**	**7,093**
Amounts included in the measure of segment results:			
Depreciation of property, plant and equipment*	**15,939**	**8,198**	**24,137**
Amortisation of intangible assets	**5,461**	**2,504**	**7,965**
Amortisation of land use rights	**333**	**984**	**1,317**
Amortisation of deferred government grants	**960**	**364**	**1,324**
Fair value gain on forward contract	**1,427**	**–**	**1,427**
Share of profits of associates	**–**	**125**	**125**
Allowance for stock obsolescence	**4,852**	**1,826**	**6,678**
Allowance for stock obsolescence written back	**–**	**2,881**	**2,881**
Allowance for impairment loss on trade receivables	**–**	**897**	**897**
Gain on bargain purchase arising from the acquisition of businesses	**–**	**4,352**	**4,352**

* Excluding depreciation of unallocated property, plant and equipment amounting to RMB107,000.

2015	**High Security RMB'000**	**Business Solutions RMB'000**	**Total RMB'000**
Revenue			
External sales	821,346	372,402	1,193,748
Segment results			
Profit from operations	133,114	18,639	151,753
Finance income, net			2,012
Unallocated expenses			(4,330)
Profit before tax			149,435
Income tax			(31,435)
Profit for the financial year			118,000
Segment assets			
Reportable segment assets	573,758	325,018	898,776
Unallocated assets			
– Cash and bank balances			29,674
– Held-to-maturity investments			9,270
– Available-for-sale financial assets			6,545
– Property, plant and equipment			8,480
– Others			100
			952,845

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

39. SEGMENT INFORMATION (Continued)

2015	High Security RMB'000	Business Solutions RMB'000	Total RMB'000
Other segment items			
Amounts included in the measure of segment assets:			
Additions to property, plant and equipment	9,475	23,284	32,759
Investment in associates	–	6,968	6,968
Amounts included in the measure of segment results:			
Depreciation of property, plant and equipment	14,182	5,218	19,400
Amortisation of intangible assets	5,461	–	5,461
Amortisation of land use rights	204	1,098	1,302
Amortisation of deferred government grants	960	364	1,324
Fair value gain on contingent consideration	2,765	–	2,765
Gain on settlement of forward contracts, net	6,215	–	6,215
Share of profits of associates	–	354	354

Geographical segments

Geographical segments are analysed by five principal geographical areas, namely PRC, North & South America, Europe, Asia Pacific and Africa. In presenting information on the geographical segments, revenue is based on the location of customers regardless of where the goods are produced. Non-current assets which exclude deferred tax assets and held-to-maturity investments are based on the location of those assets.

	PRC RMB'000	North & South America RMB'000	Europe RMB'000	Asia Pacific RMB'000	Africa RMB'000	Consolidated RMB'000
2016						
Revenue	**218,157**	**327,471**	**679,102**(i)	**164,863**	**617**	**1,390,210**
Non-current assets	**203,746**	**10,386**	**222,231**(ii)	**2,701**	**–**	**439,064**
2015						
Revenue	273,096	313,631	485,344	121,405	272	1,193,748
Non-current assets	207,579	9,947	102,114	2,393	–	322,033

(i) Include revenue totaling RMB500,493,000 and RMB30,967,000 (2015: RMB417,160,000 and RMB Nil) derived from Germany and UK respectively.
(ii) Include assets of RMB162,289,000 and RMB59,942,000 (2015: RMB102,114,000 and RMB Nil) derived from Germany and UK respectively.

Major customers

Revenue of approximately RMB163,275,000 (2015: RMB179,120,000) is derived from a single external customer based in North & South America, which is attributable to the "High security" segment.

Revenue of approximately RMB116,849,000 (2015: RMB114,229,000) is derived from a multi-national company, which is attributable to the "High security" segment.

Revenue of approximately RMB73,009,000 (2015: RMB126,260,000) is derived from another multi-national company, which is attributable to the "High security" segment.

None of the customers in the "Business solutions" segment contributed more than 10% of the Group revenue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

40. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

Categories of financial instruments

The following table sets out the financial instruments as at the reporting date:

	Group		Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Held-to-maturity investments	**9,829**	9,270	**–**	–
Loans and receivables	**558,238**	437,768	**191,349**	143,515
Available-for-sale financial assets	**10,596**	6,545	**–**	–
Financial assets at fair value through profit or loss – derivative instruments	**1,427**	–	**–**	–
Financial assets	**580,090**	453,583	**191,349**	143,515
Financial liabilities at amortised cost	**364,505**	211,525	**71,229**	5,724
Financial liabilities at fair value through profit or loss – designated at inception (Note 24C)	**1,461**	–	**–**	–
Financial liabilities	**365,966**	211,525	**71,229**	5,724

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include market risks (including foreign exchange risk and interest rate risk), liquidity risk and credit risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

(i) Market risk

(a) Foreign exchange risk

Foreign exchange risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's sales are mainly transacted in Renminbi ("RMB"), United States dollar ("USD"), Euro ("EUR") and Great Britain Pound ("GBP"). As a result, movements in USD, EUR and GBP exchange rates are the main foreign exchange risk which the Group is exposed to.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

40. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Currently, the PRC government imposes control over foreign currencies. RMB, the official currency in the PRC, is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorised financial institutions. The Group has entered into foreign currency forward contracts to reduce exposure from currency fluctuations arising from its foreign currency denominated sales, mainly USD. The Group does not utilise forward contracts or other arrangements for speculative purposes.

Group As at 31 December 2016	Singapore dollar RMB'000	United States dollar RMB'000	Chinese Renminbi RMB'000	Euro RMB'000	Great Britain Pound RMB'000	Others* RMB'000	Total RMB'000
Financial assets							
Held-to-maturity investments	–	9,829	–	–	–	–	9,829
Trade receivables	–	125,205	22,419	95,231	14,795	–	257,650
Other receivables and deposits	310	32	663	3,859	410	308	5,582
Available-for-sale financial assets	–	10,596	–	–	–	–	10,596
Cash and bank balances	1,568	215,930	11,513	65,231	139	625	295,006
Derivative financial instruments	–	1,427	–	–	–	–	1,427
Intragroup receivables	171,125	278,563	109,876	175,155	107,273	1,863	843,855
	173,003	641,582	144,471	339,476	122,617	2,796	1,423,945
Financial liabilities							
Borrowings	–	3,920	50,000	67,284	2,527	–	123,731
Trade payables	–	11,788	51,082	37,424	10,061	–	110,355
Other payables and accruals	1,376	997	47,290	77,008	7,836	92	134,599
Due to a related party (trade)	–	–	242	–	–	–	242
Intragroup payables	171,125	278,563	109,876	175,155	107,273	1,863	843,855
	172,501	295,268	258,490	356,871	127,697	1,955	1,212,782
Net financial assets/(liabilities)	502	346,314	(114,019)	(17,395)	(5,080)	841	211,163
Add/(Less): Net financial (assets)/liabilities denominated in the respective entities' functional currencies	26,054	(16,332)	114,019	125,986	6,359	–	256,086
Less: Forward currency contract	–	(39,096)	–	–	–	–	(39,096)
Net foreign currency exposure	26,556	290,886	–	108,591	1,279	841	428,153

* Others mainly comprise of Peso and Swiss Franc

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

40. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group As at 31 December 2015	Singapore dollar RMB'000	United States dollar RMB'000	Chinese Renminbi RMB'000	Euro RMB'000	Others* RMB'000	Total RMB'000
Financial assets						
Held-to-maturity investments	–	9,270	–	–	–	9,270
Trade receivables	–	107,227	36,136	52,601	–	195,964
Other receivables and deposits	–	26	600	694	40	1,360
Available-for-sale financial assets	–	6,545	–	–	–	6,545
Cash and bank balances	754	181,350	19,258	38,974	108	240,444
Intragroup receivables	282,050	25,879	100,602	53,546	–	462,077
	282,804	330,297	156,596	145,815	148	915,660
Financial liabilities						
Borrowings	–	11,000	–	43,943	–	54,943
Trade payables	3,924	3,148	51,889	15,841	1,132	75,934
Other payables and accruals	1,826	104	48,181	30,081	27	80,219
Due to a related party (trade)	–	–	429	–	–	429
Intragroup payables	282,050	25,879	100,602	53,546	–	462,077
	287,800	40,131	201,101	143,411	1,159	673,602
Net financial (liabilities)/assets	(4,996)	290,166	(44,505)	2,404	(1,011)	242,058
Less: Net financial liabilities/ (assets) denominated in the respective entities' functional currencies	25,556	(51,190)	44,260	39,974	(121)	58,479
Net foreign currency exposure	20,560	238,976	(245)	42,378	(1,132)	300,537

* Others comprise of South Korean Won and Peso.

Company As at 31 December 2016	Singapore dollar RMB'000	United States dollar RMB'000	Euro RMB'000	Peso RMB'000	Total RMB'000
Financial assets					
Trade receivables	–	5,704	–	–	5,704
Other receivables	310	–	–	–	310
Due from subsidiaries	122,441	–	28,306	1,863	152,610
Cash and bank balances	1,368	31,277	80	–	32,725
	124,119	36,981	28,386	1,863	191,349
Financial liabilities					
Trade payables	–	2,816	–	–	2,816
Other payables and accruals	1,363	–	–	–	1,363
Due to subsidiaries	–	59,935	7,115	–	67,050
	1,363	62,751	7,115	–	71,229
Net financial assets/(liabilities)	122,756	(25,770)	21,271	1,863	120,120
Less: Net financial liabilities denominated in the Company's functional currency	–	25,770	–	–	25,770
Foreign currency exposure	122,756	–	21,271	1,863	145,890

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

40. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Company **As at 31 December 2015**	**Singapore dollar** **RMB'000**	**United States dollar** **RMB'000**	**Euro** **RMB'000**	**Total** **RMB'000**
Financial assets				
Trade receivables	–	3,049	–	3,049
Due from subsidiaries	108,749	–	–	108,749
Cash and bank balances	523	31,116	78	31,717
	109,272	34,165	78	143,515
Financial liabilities				
Trade payables	–	3,924	–	3,924
Other payables and accruals	1,800	–	–	1,800
	1,800	3,924	–	5,724
Net financial assets	107,472	30,241	78	137,791
Less: Net financial assets denominated in the Company's functional currency	(107,472)	–	–	(107,472)
Foreign currency exposure	–	30,241	78	30,319

Foreign exchange risk sensitivity

The following table details the sensitivity to a 10% appreciation of the Chinese Renminbi against the relevant foreign currencies. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

40. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Foreign exchange risk sensitivity (Continued)

If the respective functional currency strengthen by 10% (2015: 10%) against the relevant foreign currency (SGD/USD/EUR/GBP), with all other variables held constant, the profit for the financial year will increase/(decrease) by:

	Group Profit for the year RMB'000	Company Profit for the year RMB'000
2016		
SGD	**(1,992)**	**(9,207)**
USD	**(21,816)**	**–**
EUR	**(8,144)**	**(1,595)**
GBP	**(96)**	**–**
Others	**(63)**	**(140)**
2015		
SGD	(1,542)	–
USD	(17,923)	(2,268)
RMB	18	–
EUR	(3,178)	(6)
Others	85	–

A weakening of the RMB against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The Group has entered into forward currency contracts to reduce exposure from currency fluctuations arising from its trading operations, mainly in USD. As at 31 December 2016, the Group has outstanding balance of RMB39,096,000 with settlement dates ranging from 1 to 12 months (2015: Nil) as disclosed in Note 23.

The Group is also exposed to currency translation risk arising from its net investments in its foreign operations. The Group's net investment in United Kingdom, Germany, Hong Kong, Philippines and Singapore are not hedged as currency positions in GBP, EUR, HKD, Peso and SGD are considered to be long-term in nature.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

40. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(b) Interest rate risk

The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group obtains additional financing through bank borrowings. The Group constantly monitors its interest rate risk and does not utilise forward contracts or other arrangements for trading or speculative purposes. As at 31 December 2016, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

The following table sets out the carrying amount of the Group's interest-bearing financial instruments:

	Note	Group		Company	
		2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Fixed rate instruments					
Financial assets					
– Fixed deposits	22	**13,930**	14,710	**–**	–
– Held-to-maturity investments	15	**9,829**	9,270	**–**	–
– Available-for-sales financial assets	21	**10,596**	6,545	**–**	–
– Loan to a subsidiary	20	**–**	–	**34,907**	–
Financial liabilities					
– Other payables	24B	**(26,837)**	–	**–**	–
– Borrowings	25	**(48,125)**	(43,504)	**–**	–
– Loan from a subsidiary	20	**–**	–	**(6,899)**	–
		(40,607)	(12,979)	**28,008**	–
Variable rate instruments					
Financial liabilities – borrowings	25	**(75,606)**	(11,439)	**–**	–

Interest in the financial instruments subject to floating interest rates is repriced regularly. Interests on financial instruments at fixed rates are fixed until the maturity of the instruments. The other financial instruments of the Group that are not included in the above table are not subject to interest rate risks.

Interest risk sensitivity

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting periods in the case of instruments that have floating rates.

If the interest rates had been 100 basis points higher or lower and all other variables had been held constant, the Group's profit for the financial year ended 31 December 2016 would increase/decrease by RMB567,000 (2015: RMB86,000) attributable to the Group's exposure to interest rate risk on its variable rates borrowings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

40. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations.

The Group's trade payables are non-interest bearing and normally settled on 60-day terms while other payables have an average term of 30 days.

The following tables detail the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay and includes both interest and principal cash flows.

Group	On demand or within 1 year RMB'000	Within 2 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
2016					
Non-derivative instruments					
Loans[(i)]	**108,103**	**8,975**	**1,024**	**118,102**	**113,110**
Finance lease obligations	**3,340**	**7,466**	**797**	**11,603**	**10,621**
Trade payables	**110,355**	**–**	**–**	**110,355**	**110,355**
Other payables and accruals	**132,458**	**3,653**	**–**	**136,111**	**134,599**
Due to a related party (trade)	**242**	**–**	**–**	**242**	**242**
	354,498	**20,094**	**1,821**	**376,413**	**368,927**
2015					
Non-derivative instruments					
Loans[(i)]	46,986	3,285	343	50,614	48,308
Finance lease obligations	2,307	3,207	1,394	6,908	6,635
Trade payables	75,934	–	–	75,934	75,934
Other payables and accruals	77,654	3,548	–	81,202	80,219
Due to a related party (trade)	429	–	–	429	429
	203,310	10,040	1,737	215,087	211,525

(i) Included in the loans is loan 4 which are classified as current liabilities due to overriding clause of demand by the banks.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

40. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (Continued)

Maturity profile of loans based on installments payable

Group	On demand or within 1 year RMB'000	Within 2 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
2016	**83,757**	**19,982**	**15,628**	**119,367**	**113,110**
2015	15,927	20,554	14,133	50,614	48,308

Company	On demand or within 1 year RMB'000	Within 2 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
2016					
Non-derivative instruments					
Trade payables	**2,816**	–	–	**2,816**	**2,816**
Other payables and accruals	**1,363**	–	–	**1,363**	**1,363**
Due to subsidiaries	**67,050**	–	–	**67,050**	**67,050**
Guarantees for subsidiaries' borrowings (Note 25(i))(i)	**30,697**	–	–	**30,697**	–
	101,926	–	–	**101,926**	**71,229**
2015					
Non-derivative instruments					
Trade payables	3,924	–	–	3,924	3,924
Other payables and accruals	1,800	–	–	1,800	1,800
Guarantees for subsidiaries' borrowings (Note 25(i))(i)	14,115	–	–	14,115	–
	19,839	–	–	19,839	5,724

(i) The maximum amount of the guarantees is allocated to the earliest period in which the guarantee could be called. The guarantees are not recognised as financial liabilities in the Company's statement of financial position as the Group has been providing continuing advances to these subsidiaries to ensure the repayment obligations are met.

(iii) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

The carrying amounts of held-to-maturity investments, trade and other receivables, available-for-sale financial assets and cash and bank balances, represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

40. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Available-for-sale financial assets, and cash and bank balances are placed with reputable financial institutions. Held-to-maturity investments represent listed bonds with good credit rating. Therefore, credit risk arises mainly from the inability of its customers to make payments when due. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The Group's trade receivables are non-interest bearing and are generally on 30–60 days (2015: 60 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The Group's trade receivables comprise 3 debtors (2015: 3 debtors) that individually represented 7% to 16% (2015: 11% to 16%) of trade receivables, which operates in the distribution of high security products.

The credit risk for trade receivables (excluding VAT receivables), net of allowance for impairment loss, based on the information provided to key management is as follows:

	Group	
	2016 RMB'000	2015 RMB'000
By geographical location of the customers		
– People's Republic of China	**45,039**	66,804
– Asia Pacific	**28,438**	23,967
– Europe(i)	**106,652**	52,695
– North & South America	**77,521**	52,498
	257,650	195,964

(i) Included amount of RMB90,238,000 and RMB14,788,000 which are derived from Germany and United Kingdom respectively.

The age analysis of trade receivables, net of allowance for impairment loss (excluding VAT receivables), is as follows:

	Group	
	2016 RMB'000	2015 RMB'000
Not past due and not impaired	**220,307**	98,892
Past due but not impaired		
– Past due 0 to 3 months	**30,073**	90,011
– Past due over 3 months	**3,903**	7,061
	33,976	97,072
Impaired trade receivables	**6,622**	206
Less: Allowance for impairment loss (Note 18)	**(3,255)**	(206)
	3,367	–
Net trade receivables	**257,650**	195,964

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

40. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

The movement in allowance for impairment loss is as follows:

	Group	
	2016	**2015**
	RMB'000	**RMB'000**
Balance at beginning of the financial year	**206**	259
Acquisition of businesses	**2,220**	–
Addition during the financial year	**897**	47
Allowance utilised during the year	**(18)**	–
Written-back during the financial year	**(46)**	(90)
Currency translation differences	**(4)**	(10)
Balance at end of the financial year (Note 18)	**3,255**	206

Trade receivables that are individually determined to be impaired at the end of reporting period relate to debtors that are assessed to be in financial difficulties and have defaulted on payments. Trade receivables that are neither past due nor impaired are credit worthy debtors with good payment records with the Group.

Included in the trade receivable balances are debtors with total carrying amount of approximately RMB33,976,000 (2015: RMB97,072,000) which are past due but not impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

As other receivables are not significant, no detailed age analysis has been disclosed.

Capital risk management policies and objectives

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes borrowings disclosed in Note 25, net of cash and bank balances, and the equity attributable to equity holders of the Company, comprising issued capital and reserves as disclosed in Notes 3 to 9.

The Board of Directors reviews the capital structure on an annual basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on guidance of the Board, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt. The Group's overall strategy remains unchanged from 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

41. FAIR VALUES OF FINANCIAL INSTRUMENTS

(i) Fair value of financial instruments that are carried at fair value

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The following table shows an analysis of financial instruments carried at fair value (recurring measurements) by level of fair value hierarchy as at 31 December 2016:

	Group			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2016				
Financial asset				
Available-for-sale financial assets	**–**	**10,596**	**–**	**10,596**
Derivative financial instruments	**–**	**1,427**	**–**	**1,427**
	–	**12,023**	**–**	**12,023**
Financial liabilities				
Contingent consideration (current)	**–**	**–**	**(1,461)**	**(1,461)**
Contingent consideration (non-current)	**–**	**–**	**–**	**–**
	–	**–**	**(1,461)**	**(1,461)**

	Group			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2015				
Financial asset				
Available-for-sale financial assets	–	6,545	–	6,545
Financial liabilities				
Contingent consideration (non-current)	–	–	–	–

There have been no transfers between Level 1 and Level 2 during the financial years ended 31 December 2015 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

41. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(i) Fair value of financial instruments that are carried at fair value (Continued)

Determination of fair value

Available-for-sale financial assets (Note 21):

Fair value is referenced to the valuations provided by the financial institution as the financial instruments are generally inactive traded in the market.

Forward currency contracts (Note 23):

The fair value of forward currency contracts are based on valuations provided by the financial institutions that are the counterparties to the transactions. The inputs to the valuation techniques include the foreign exchange spot and forward rates.

Contingent consideration – Current (Note 24C):

Fair value of contingent consideration is determined based on discounted cash flows. The key assumptions take into consideration the probability of meeting the condition and the discount factor.

Contingent consideration – Non-current (Note 24):

In 2011, the Company acquired the entire share capital in Format Tresorbau Beteiligungs-GmbH and its subsidiaries ("Format Group") with a contingent cash consideration of RMB19,073,000 at the acquisition date. The contingent consideration has been agreed as part of the purchase agreement with the vendor and is guaranteed by a director and a shareholder. Additional cash payment shall be paid to the vendor, if during a period of 6 months after the expiration of three years commencing from 1 October 2011 ("Validity Period"), the vendor sells part of, or all of its consideration shares in the Singapore Exchange in the open market or, elsewhere, if the Company agrees, the Company shall undertake to compensate the vendor a sum based on the following formula:

Contingent consideration = number of shares sold x (EUR 5,000,000 ÷ 28,536,000 – net proceeds per share in Singapore dollar ÷ prevailing exchange rate)

In 2014, the Company and the vendor have amended the key terms of the contingent consideration, which extends the validity period from September 2014 to March 2015 to a period between October 2019 and March 2020; and includes a new term to offset any dividend payout from 1 January 2014 to 31 March 2020 from the contingent consideration pay-out. If the vendor sells part of, or all of 28,536,000 consideration shares, before or after the Validity Period, the contingent consideration pay-out shall no longer be valid.

The fair value was computed based on quoted average share price and exchange rate, and was discounted to present value. The fair value of the contingent consideration was determined to be nil as at 31 December 2016 and 2015 due to the favourable market price of the Company's shares, exchange rate between SGD and EUR and dividend payout. The fair value hierarchy is level 2.

No sensitivity analysis is presented as the management's view that no reasonably possible charges in market price of the Company's shares and exchange rate will give rise to material amount of liability at fair value within the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

41. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(ii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of cash and bank balances, trade and other receivables, trade and other payables, amounts due from/to subsidiaries, amount due to a related party, and borrowings (floating rate) are reasonable approximation of fair values either due to the relatively short-term maturity of these financial instruments or was a floating rate instrument which that is re-priced to market interest rate on or near the reporting date.

The fair value (Level 1) of held-to-maturity investments based on the quoted market price (current bid price) at the reporting date approximate the carrying amount.

(iii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

		Group			
		2016		2015	
	Note	Carrying value RMB'000	Fair value RMB'000	Carrying value RMB'000	Fair value RMB'000
Loans – fixed rate	25(i)	**37,504**	**38,158**	32,672	33,379

The fair value of the loans is estimated by discounting expected future cash flows at market interest rate for similar types of borrowing at the end of the reporting period. The fair value hierarchy of the borrowings is Level 2.

SHAREHOLDERS' INFORMATION

AS AT 13 MARCH 2017

GENERAL INFORMATION ON SHARE CAPITAL

Class of equity securities	Number of equity securities	Voting Rights	Ordinary Share held as Treasury Share
Ordinary Shares	356,536,000	One Vote Per Share	NIL

Size of Shareholding	Number of Shareholders	% of Shareholders	Number of Shares	% of Shares
1 – 99	1	0.13	1	0.00
100 – 1,000	93	11.55	82,615	0.02
1,001 – 10,000	355	44.10	2,048,635	0.57
10,001 – 1,000,000	332	41.24	25,188,649	7.07
1,000,001 & ABOVE	24	2.98	329,216,100	92.34
TOTAL	**805**	**100.00**	**356,536,000**	**100.00**

TOP TWENTY SHAREHOLDERS AS AT 13 MARCH 2017

NAME OF SHAREHOLDERS	NO. OF SHARES	% OF SHARES
SPECTACULAR BRIGHT CORP.	152,438,956	42.76
WILLALPHA INTERNATIONAL LIMITED	56,282,864	15.79
DROEGE CAPITAL GMBH	28,536,000	8.00
STONE ROBERT ALEXANDER	23,150,000	6.49
SHI YI	9,229,000	2.59
DANIEL TAN POON KUAN	8,748,702	2.45
OCBC SECURITIES PRIVATE LTD	7,505,800	2.11
DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	5,386,000	1.51
MAYBANK KIM ENG SECURITIES PTE LTD	5,243,800	1.47
UOB KAY HIAN PTE LTD	4,821,600	1.35
KIM SENG HOLDINGS PTE LTD	3,988,577	1.12
CHEN WENKUN	3,264,000	0.92
CITIBANK NOMINEES SINGAPORE PTE LTD	3,175,000	0.89
PEH KWEE YONG	2,950,000	0.83
PHILLIP SECURITIES PTE LTD	2,321,300	0.65
DBS NOMINEES PTE LTD	2,162,700	0.61
RAFFLES NOMINEES (PTE) LTD	1,627,200	0.46
CHUA YUE PENG	1,462,000	0.41
LIM TIONG KHENG STEVEN	1,370,000	0.38
ABN AMRO CLEARING BANK N.V.	1,300,200	0.36
	324,963,699	**91.15**

SHAREHOLDERS' INFORMATION

AS AT 13 MARCH 2017

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders as per Register of Substantial Shareholders as at 13 March 2017

	Direct Interest	%	Deemed Interest	%
Spectacular Bright Corp.	152,438,956	42.76	–	–
Willalpha International Limited	56,282,864	15.79	–	–
Droege Capital GmbH	28,536,000	8.00	–	–
Stone Robert Alexander	23,150,000	6.49	–	–
Dr. Johnny Liu[1]	–	–	152,438,956	42.76
Liu Bin[2]	–	–	56,282,864	15.79
Droege International Group AG[3]	–	–	28,536,000	8.00
Droege Holding GmbH & Co. KG[4]	–	–	28,536,000	8.00
Walter P.J. Droege[5]	–	–	28,536,000	8.00

Notes:

1. By virtue of Dr. Johnny Liu's shareholding in Spectacular Bright Corp., he is deemed to be interested in the shares of the Company held by Spectacular Bright Corp.
2. By virtue of Mr Liu Bin's shareholding in Willalpha International Limited, he is deemed to be interested in the shares of the Company held by Willalpha International Limited.
3. By virtue of Droege International Group AG, being the sole shareholder of Droege Capital GmbH, it is deemed to be interested in the shares of the Company held by Droege Capital GmbH.
4. By virtue of Droege Holding GmbH & Co. KG, being the sole shareholder of Droege International Group AG which is the sole shareholder of Droege Capital GmbH, it is deemed to be interested in the shares of the Company held by Droege Capital GmbH.
5. By virtue of Mr Walter P.J. Droege's shareholding in Droege Holding GmbH & Co. KG, the sole shareholder of Droege International Group AG which is the sole shareholder of Droege Capital GmbH, he is deemed to be interested in the shares of the Company held by Droege Capital GmbH.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on the information made available to the Company as at 13 March 2017, approximately 23.4% were held in the hands of the public. Under Rule 723 of the Listing Manual of the SGX-ST, a listed issuer must ensure that at least 10% of its listed securities are at all times held by the public.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Dutech Holdings Limited ("the Company") will be held at Room 304, Suntec Singapore, Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Wednesday, 26 April 2017 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 December 2016 together with the Auditor's Report thereon.

(Resolution 1)

2. To re-elect the following Directors of the Company retiring pursuant to Article 107 of the Constitution of the Company:

Mr. Christoph Hartmann [See Explanatory Note (i)] **(Resolution 2)**
Dr. Hedda Juliana im Brahm-Droege [See Explanatory Note (ii)] **(Resolution 3)**

3. To approve the payment of Directors' fees of S$396,000 for the year ending 31 December 2017 to be paid quarterly in arrears.

(Resolution 4)

4. To re-appoint Crowe Horwath First Trust LLP as the Auditor of the Company and to authorise the Directors of the Company to fix their remuneration.

(Resolution 5)

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Authority to issue shares**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)] **(Resolution 6)**

7. **Authority to grant awards and to issue shares pursuant to the Dutech Group Performance Share Plan**

That approval be and is hereby given to the Directors of the Company to grant awards in accordance with the provisions of the Dutech Group Performance Share Plan ("the Plan"), and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards granted under the Plan, provided always that the aggregate number of ordinary shares to be issued pursuant to the Plan shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iv)] **(Resolution 7)**

By Order of the Board

Lee Tiong Hock
Company Secretary
Singapore, 11 April 2017

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr. Christoph Hartmann will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and will be considered independent. Detailed information on Mr Christoph Hartmann can be found under the section entitled "Directors' Profile" in page 7 of the Annual Report. There are no material relationships (including immediate family relationships) between Mr Christoph Hartmann and the other directors or the Company.

(ii) Dr. Hedda Juliana im Brahm-Droege will, upon re-election as a Director of the Company, remain as a member of the Remuneration Committee and will be considered independent. Detailed information on Dr Hedda Juliana im Brahm-Droege can be found under the section entitled "Directors' Profile" in page 7 of the Annual Report. There are no material relationships (including immediate family relationships) between Dr Hedda Juliana im Brahm-Droege and the other directors or the Company.

(iii) The Ordinary Resolution (6) in item (6) above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(iv) The Ordinary Resolution (7) in item (7) above, if passed, will empower the Directors of the Company, from the date of this Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the Dutech Group Performance Share Plan up to a number not exceeding in total fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

Notes:

1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "Meeting").

   (b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

2. A proxy need not be a member of the Company.

3. Each of the resolutions to be put to the vote of members at the Meeting (and at any adjournment thereof) will be voted on by way of a poll.

4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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DUTECH HOLDINGS LIMITED

(Company Registration No. 200616359C)
(Incorporated in the Republic of Singapore)

IMPORTANT:
1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ____

of ____

being a member/members of Dutech Holdings Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Room 304, Suntec Singapore, Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Wednesday, 26 April 2017 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

No.	Resolutions relating to:	Number of Votes For*	Number of Votes Against*
1	Directors' Statement and Audited Financial Statements for the year ended 31 December 2016		
2	Re-election of Mr. Christoph Hartmann as a Director		
3	Re-election of Dr. Hedda Juliana im Brahm-Droege as a Director		
4	Approval of Directors' fees amounting to S$396,000 for the year ending 31 December 2017 to be paid quarterly in arrears		
5	Re-appointment of Crowe Horwath First Trust LLP as Auditor		
6	Authority to issue new shares		
7	Authority to issue shares pursuant to the Dutech Group Performance Share Plan		

* If you wish to exercise all your votes "For" or "Against", please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ________ day of ________________ 2017

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

*Delete where inapplicable

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 not less than forty-eight (48) hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 11 April 2017.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr. Johnny Liu
(Executive Chairman and CEO)

Liu Bin
(Executive Vice Chairman)

Tang See Chim
(Lead Independent Director)

Graham Macdonald Bell
(Independent Director)

Chen Zhaohui, George
(Independent Director)

Dr. Hedda Juliana im Brahm-Droege
(Independent Director)

Christoph Hartmann
(Independent Director)

AUDIT COMMITTEE

Tang See Chim
(Chairman)

Graham Macdonald Bell
Chen Zhaohui, George
Christoph Hartmann

NOMINATING COMMITTEE

Graham Macdonald Bell
(Chairman)

Tang See Chim
Chen Zhaohui, George

REMUNERATION COMMITTEE

Chen Zhaohui, George
(Chairman)

Tang See Chim
Graham Macdonald Bell
Dr. Hedda Juliana im Brahm-Droege

COMPANY SECRETARY

Lee Tiong Hock

COMPANY'S REGISTERED OFFICE

50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

COMPANY REGISTRATION NUMBER

200616359C

COMPANY'S PRINCIPAL PLACE OF BUSINESS

11G International Shipping & Finance Centre
720 Pudong Avenue
Shanghai 200120 PRC
Tel: (86) 21 5036 8072
Fax: (86) 21 5036 8073

GROUP'S PRINCIPAL PLACE OF BUSINESS

1888 Jintong Avenue
Tongzhou District
Nantong Jiangsu 226300 PRC
Tel: (86) 513 8655 7000
Fax: (86) 513 8655 7008

SHARE REGISTRAR

B.A.C.S. Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

AUDITORS

Crowe Horwath First Trust LLP
8 Shenton Way
#05-01 AXA Tower
Singapore 068811

PARTNER-IN-CHARGE

Tan Teck Zhen
(Appointed with effect from financial year 2016)

PRINCIPAL BANK

Overseas-Chinese Banking Corporation Limited
China Construction Bank

Dutech Holdings Limited

11G International Shipping & Finance Centre
720 Pudong Avenue
Shanghai 200120, PRC
Tel: (86) 21 5036 8072
Fax: (86) 21 5036 8073