

condensed interim financial statements
For the six months ended 30 June 2021

A. Condensed interim consolidated statement of profit or loss and other comprehensive income

Group	6 Months ended 30/06/2021 RMB'000	6 Months ended 30/06/2020 RMB'000	Change %
Revenue	894,600	779,828	14.7
Cost of sales	(653,212)	(563,840)	15.9
Gross Profit	241,388	215,988	11.8
Selling and distribution expenses	(51,984)	(51,082)	1.8
Administrative expenses	(106,992)	(85,297)	25.4
Research and development expenses	(40,720)	(35,332)	15.2
Profit from Operations	41,692	44,277	(5.8)
Financial expenses, net	(2,479)	(1,023)	142.3
Share of results from associates	173	1,701	(89.8)
Other income	13,536	13,364	1.3
Other expenses	(20,415)	(22,719)	(10.1)
Impairment losses of financial assets	(161)	(317)	(49.2)
Profit Before Tax	32,346	35,283	(8.3)
Income tax expenses	(9,546)	(14,418)	(33.8)
Net Profit After Tax	22,800	20,865	9.3
Other Comprehensive Income			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Currency translation differences arising from consolidation	(10,546)	8,943	n.m.
Financial assets, at FVOCI			
– Reclassification upon realisation of investment	-	(504)	(100.0)
Other Comprehensive Income/(loss) for the period	(10,546)	8,439	n.m.
Total Comprehensive Income for the period	12,254	29,304	(58.2)
Earnings per share for profit for the period attributable to the owners of the Company during the year:			
Basic and diluted (cents)	6.39	5.85	

B. Condensed interim statements of financial position

	Group			Company		
	As At	As At	Change	As At	As At	Change
	30/06/2021	31/12/2020		30/06/2021	31/12/2020	
	RMB'000	RMB'000		RMB'000	RMB'000	
	Unaudited	Audited	%	Unaudited	Audited	%
Assets						
Non-current Assets						
Intangible assets	29,668	37,041	(19.9)	-	-	-
Subsidiaries	-	-	-	253,577	256,440	(1.1)
Associates	8,261	8,088	2.1	-	-	-
Property, plant and equipment	280,948	292,603	(4.0)	-	-	-
Right-of-use assets	67,189	73,734	(8.9)	-	-	-
Deferred tax assets	14,505	15,474	(6.3)	-	-	-
Total Non-current Assets	400,571	426,940	(6.2)	253,577	256,440	(1.1)
Current Assets						
Cash and bank balances	516,676	538,065	(4.0)	186,139	57,765	222.2
Trade receivables	257,401	297,445	(13.5)	24,243	9,856	146.0
Advances to suppliers	81,253	41,509	95.7	-	-	-
Other receivables, deposits and prepayments	26,851	16,267	65.1	-	-	-
Due from subsidiaries	-	-	-	21,874	45,467	(51.9)
Derivative financial instruments	6,614	6,590	0.4	-	-	-
Contract assets	22,665	27,400	(17.3)	-	-	-
Inventories	353,543	319,956	10.5	-	-	-
Total Current Assets	1,265,003	1,247,232	1.4	232,256	113,088	105.4
Total Assets	1,665,574	1,674,172	(0.5)	485,833	369,528	31.5
Liabilities						
Current Liabilities						
Borrowings	107,062	122,144	(12.3)	-	-	-
Trade payables	132,689	130,665	1.5	467	3,672	(87.3)
Other payables and accruals	134,590	124,278	8.3	4,761	5,256	(9.4)
Due to related parties	951	7,363	(87.1)	-	6,527	(100.0)
Provisions	22,437	32,450	(30.9)	-	-	-
Income tax payable	2,464	4,397	(44.0)	388	393	(1.3)
Contract liabilities	68,775	58,079	18.4	-	-	-
Due to subsidiaries	-	-	-	200,601	74,103	170.7
Total Current Liabilities	468,968	479,376	(2.2)	206,217	89,951	129.3
Non-current Liabilities						
Borrowings	41,599	48,554	(14.3)	-	-	-
Pension liability	80,808	83,090	(2.7)	-	-	-
Deferred income	10,183	10,526	(3.3)	-	-	-
Deferred tax liabilities	23,500	24,364	(3.5)	-	-	-
Total Non-current Liabilities	156,090	166,534	(6.3)	-	-	-
Total Liabilities	625,058	645,910	(3.2)	206,217	89,951	129.3
Net Assets	1,040,516	1,028,262	1.2	279,616	279,577	0.0
Equity						
Capital and reserves attributable to the equity holders of the Company						
Share capital	154,623	154,623	-	154,623	154,623	-
Capital reserve	191,236	191,236	-	-	-	-
Retained earnings	609,771	586,971	3.9	131,076	127,911	2.5
Statutory reserve	89,802	89,802	-	-	-	-
Translation reserve	10,517	21,063	(50.1)	(6,083)	(2,957)	105.7
Fair value reserve	(2,404)	(2,404)	-	-	-	-
Merger deficit	(13,029)	(13,029)	-	-	-	-
Total Equity	1,040,516	1,028,262	1.2	279,616	279,577	0.0

C. Condensed interim statements of changes in equity

	Group							Total equity
	Share capital	Statutory reserve	Merger deficit	Capital reserve	Retained earnings	Translation reserve	Fair value reserve	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2021	154,623	89,802	(13,029)	191,236	586,971	21,063	(2,404)	1,028,262
Profit for the period	-	-	-	-	22,800	-	-	22,800
Other comprehensive income, net of tax	-	-	-	-	-	(10,546)	-	(10,546)
Balance at 30 June 2021	154,623	89,802	(13,029)	191,236	609,771	10,517	(2,404)	1,040,516

	Group							Total equity
	Share capital	Statutory reserve	Merger deficit	Capital reserve	Retained earnings	Translation reserve	Fair value reserve/(deficit)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2020	154,623	76,711	(13,029)	172,946	568,172	31,602	504	991,529
Profit for the period	-	-	-	-	20,865	-	-	20,865
Other comprehensive income, net of tax	-	-	-	-	-	8,943	(504)	8,439
Balance at 30 June 2020	154,623	76,711	(13,029)	172,946	589,037	40,545	0	1,020,833

	Company			
	Share capital	Retained earnings	Translation reserve	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021	154,623	127,911	(2,957)	279,577
Total comprehensive income for the period	-	3,165	(3,126)	39
Balance at 30 June 2021	154,623	131,076	(6,083)	279,616

	Company			
	Share capital	Retained earnings	Translation reserve	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020	154,623	123,682	16,524	294,829
Total comprehensive income for the period	-	1,834	4,364	6,198
Balance at 30 June 2020	154,623	125,516	20,888	301,027

D. Condensed interim consolidated statement of cash flows

	6 Months ended 30/06/2021 RMB'000	6 Months ended 30/06/2020 RMB'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before tax	32,346	35,283
Adjustments:		
Amortisation of intangible assets	4,745	9,821
Amortisation of deferred government grant	(343)	(343)
Depreciation of property, plant and equipment	13,186	15,996
Depreciation of right-of-use assets	9,150	9,500
Impairment of intangible assets	6,329	11,435
Impairment of right-of-use assets	-	6,854
Impairment of property, plant and equipment	-	902
Fair value gain on forward contract	(24)	2,776
Loss on disposal of property, plant and equipment	189	-
Gain on settlement of forward currency contracts	(9,076)	(1,057)
Interest expenses	3,711	4,463
Interest income	(1,231)	(3,440)
Share of profits from associates	(173)	(1,701)
Foreign exchange difference	4,883	(1,277)
Operating profit before working capital changes	63,692	89,212
Contract assets	3,593	1,117
Trade receivables	38,129	9,079
Other receivables, deposits and prepayments	(10,841)	(4,385)
Advances to suppliers	(39,866)	(2,784)
Inventories	(43,254)	(12,041)
Contract liabilities	12,667	(10,740)
Trade payables	(6,912)	22,240
Other payables and accruals	15,704	(201)
Due to related parties	(6,412)	(6,703)
Settlement of forward contract	9,076	1,057
Pension liability	(2,300)	(765)
Cash generated from operations	33,276	85,086
Income tax paid	(11,013)	(7,719)
Net cash from operating activities	22,263	77,367
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property, plant and equipment	(10,497)	(6,936)
Addition of Intangible assets	(5,027)	(4,197)
Proceed from disposal of property, plant and equipment	396	440
Interest received	1,231	3,440
Proceeds from disposal of financial assets, at FVPL	279,784	970,670
Purchase of financial assets, at FVPL	(279,784)	(970,670)
Proceeds from disposal of financial assets, at FVPL	-	17,068
Net cash (used in)/from investing activities	(13,897)	9,815
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from borrowings	53,374	27,393
Repayment of borrowings	(74,201)	(47,332)
Interest paid	(3,711)	(3,595)
(Placement)/withdrawal of pledged deposits	(1,103)	1,948
Net cash used in financing activities	(25,641)	(21,586)
Net decrease in cash and cash equivalents	(17,275)	65,596
Effects of exchange rate changes in cash and cash equivalents	(5,217)	2,430
Cash and cash equivalents at beginning of the period	499,183	406,541
Cash and cash equivalents at end of the period	476,691	474,567
Note:		
For the purpose of the consolidated statement of cash flows, the consolidated cash and cash equivalents comprised:		
-Cash in hand	724	817
-Cash at bank	515,952	513,682
	516,676	514,499
Less: Pledged deposit	(39,985)	(39,932)
Cash and cash equivalents per consolidated statement of cash flows	476,691	474,567

E. Notes to the condensed interim financial statements

1. Corporate information

Dutech Holdings Limited (the “Company”) is incorporated and domiciled in Singapore and whose shares are publicly traded on the Mainboard of the Singapore Exchange. These condensed interim consolidated financial statements as at and for the six months ended 30 June 2021 comprise the Company and its subsidiaries (collectively, the Group) and the Group’s interests in associates.

The primary activities of the Company are investment holding and general wholesale of high security products. The principal activities of the Group are design, manufacture of high security products and intelligent terminals and providing electro-mechanical solution to its customers.

2. Basis of Preparation

The condensed interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2020. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last financial statements for the financial year ended 31 December 2020.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Chinese Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

2.1. New and amended standards adopted by the Group

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards

2.2. Use of judgements and estimates

The preparation of the condensed interim financial statements in conformity with SFRS(I)s requires management to exercise judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial period are included in Note 10 – Impairment on intangible assets.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

The principal activities of the Group are design, manufacture of high security products and intelligent terminals and providing electro-mechanical solution to customers

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 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.

Other operations include investment holding companies with head-office corporate functions (including treasury function) and inactive companies. Expenses incurred by these companies, which mainly include remuneration for certain 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 segment profit from operations, which represents profit before interest and tax, as included in the internal management reports that are reviewed by the Group CEO. Segment assets reported to the Group CEO represents the total assets of the reportable segments.

4.1. Reportable operating segments

	High Security RMB'000	Business Solutions RMB'000	Elimination RMB'000	Total RMB'000
1 January 2021 to 30 June 2021				
Total segment revenue	693,473	473,116	(271,989)	894,600
Inter-segment revenue	244,111	27,878	(271,989)	-
Revenue from external parties	449,362	445,238	-	894,600
Segment results				
Profit from operations	3,066	36,731		39,797
Financial expenses, net				(2,479)
Unallocated expenses				(4,972)
Profit before tax	3,066	36,731		32,346
Income tax				(9,546)
Profit for the period	3,066	36,731		22,800
Total segment assets	797,921	867,653		1,665,574
Total segment liabilities	57,786	567,272		625,058
Other segment information				
- Additions to property, plant and equipment	5,227	5,270		10,497
- Additions to intangible assets	-	5,027		5,027
- Depreciation on property, plant and equipment	7,213	5,973		13,186
- Depreciation of right-of-use assets	7,087	2,063		9,150
- Amortisation of intangible assets	1,793	2,952		4,745
	High Security RMB'000	Business Solutions RMB'000	Elimination RMB'000	Total RMB'000
1 January 2020 to 30 June 2020				
Total segment revenue	691,778	403,018	(314,968)	779,828
Inter-segment revenue	290,217	24,751	(314,968)	-
Revenue from external parties	401,561	378,267	-	779,828
Segment results				
Profit from operations	41,673	(6,993)		34,680
Financial expenses, net				(1,023)
Unallocated income				1,626
Profit before tax	41,673	(6,993)		35,283
Income tax				(14,418)
Profit for the period	41,673	(6,993)		20,865
Total segment assets	700,418	969,468		1,669,886
Total segment liabilities	41,070	607,983		649,053
Other segment information				
- Additions to property, plant and equipment	6,231	705		6,936
- Additions to intangible assets	-	4,197		4,197
- Depreciation on property, plant and equipment	8,468	7,528		15,996
- Depreciation of right-of-use assets	6,390	3,110		9,500
- Amortisation of intangible assets	3,054	6,767		9,821

4.2. Disaggregation of Revenue

The Group 6 months ended 30 June 2021			
	At a point in time RMB'000	Over time RMB'000	Total RMB'000
Types of goods or service:			
High Security			
– Sale of products	449,362	-	449,362
Business Solutions			
– Sale of products	160,031	-	160,031
– Service and maintenance income	-	19,994	19,994
– Projects revenue	247,778	17,435	265,213
	857,171	37,429	894,600
	High Security RMB'000	Business Solutions RMB'000	Total RMB'000
Geographical information:			-
PRC	54,639	6,688	61,327
North & South America	228,328	75,392	303,720
Europe	145,563	343,787	489,350
Asia Pacific	20,832	19,371	40,203
Total revenue	449,362	445,238	894,600

The Group 6 months ended 30 June 2020			
	At a point in time RMB'000	Over time RMB'000	Total RMB'000
Types of goods or service:			
High Security			
– Sale of products	401,561	-	401,561
Business Solutions			
– Sale of products	120,869	-	120,869
– Service and maintenance income	-	22,256	22,256
– Projects revenue	215,945	19,197	235,142
	738,375	41,453	779,828
	High Security RMB'000	Business Solutions RMB'000	Total RMB'000
Geographical information:			
PRC	29,601	15,482	45,083
North & South America	162,696	83,691	246,387
Europe	167,451	278,925	446,376
Asia Pacific	41,813	169	41,982
Total revenue	401,561	378,267	779,828

5 Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2021 and 31 December 2020:

	Group		Company	
	As At 30/06/2021 RMB'000	As At 31/12/2020 RMB'000	As At 30/06/2021 RMB'000	As At 31/12/2020 RMB'000
	Unaudited	Audited	Unaudited	Audited
Financial assets				
Cash and bank balances	516,676	538,065	186,139	57,765
Trade receivables	257,401	297,445	24,243	9,856
Other receivables, deposits and prepayments	26,851	16,267	-	-
	800,928	851,777	210,382	67,621
Financial liabilities				
Borrowings	148,661	170,698	-	-
Trade payables	132,689	130,665	467	3,672
Other payables	134,590	124,278	4,761	5,256
	415,940	425,641	5,228	8,928

6 Profit before taxation

Profit before taxation included the following:

	6 Months ended 30/06/2021 RMB'000	6 Months ended 30/06/2020 RMB'000
Income		
Gain on settlement of forward currency contracts	9,076	1,057
Interest income	1,231	3,440
Foreign exchange gain, net	-	5,563
Expenses		
Interest expenses	3,164	3,595
Depreciation on property, plant and equipment	13,186	15,996
Depreciation of right-of-use assets	9,150	9,500
Amortisation of intangible assets	4,745	9,821
Foreign exchange loss, net	13,194	-
Impairment loss on intangible assets	6,329	11,435
Impairment loss on right-of-use (ROU) assets	-	6,854
Impairment loss on property, plant and equipment	-	902
Loss on disposal of property, plant and equipment	189	-

6.2 Related party transactions

	6 Months ended 30/06/2021 RMB'000	6 Months ended 30/06/2020 RMB'000
Lease payment paid to a related party	2,084	2,084
Purchase of raw materials from a related party	3,456	1,779

7 Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	6 Months ended 30/06/2021 RMB'000	6 Months ended 30/06/2020 RMB'000
Current income tax expense	9,405	10,573
Deferred income tax expense relating to origination and reversal of temporary differences	141	3,845
	9,546	14,418

8 Dividends

No interim dividend is recommended for the half year ended 30 June 2021 as the Group wishes to conserve resources for the Company's further development.

Corresponding Period of the Immediately Preceding Financial Year

Name of Dividend	Interim (Paid)
Dividend	Cash
Dividend Amount per Share (in \$)	0.01 per ordinary share
Paid based on total number of ordinary shares	356,536,000
Tax Rate	Exempt

9 Net Asset Value

	Group		Company	
	As at 30/06/2021	As at 31/12/2020	As at 30/06/2021	As at 31/12/2020
Net asset value per ordinary share based on issued share capital at the end of the respective periods (in RMB cents)	291.84	288.40	78.43	78.41
No. of ordinary shares used in computing net asset value ('000)	356,536	356,536	356,536	356,536

10 Intangible assets

	The Group						
	Technical know-how, patent and trademark	Development costs	Customer relationship	Domain and online content	Non-compete agreement	Goodwill	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2020							
Cost	31,716	120,074	34,357	12,023	3,073	2,383	203,626
Accumulated amortisation and impairment	18,200	109,935	34,357	3,069	1,024	-	166,585
Net book amount	13,516	10,139	-	8,954	2,049	2,383	37,041
Cost							
At 1 January 2021	31,716	120,074	34,357	12,023	3,073	2,383	203,626
Additions	1,132	3,895	-	-	-	-	5,027
Currency translation differences	(1,422)	(757)	0	(528)	(135)	(105)	(2,947)
At 30 June 2021	31,426	123,212	34,357	11,495	2,938	2,278	205,706
Accumulated amortisation and impairment							
At 1 January 2021	18,200	109,935	34,357	3,069	1,024	-	166,585
Amortisation charge	1,314	3,431	-	-	-	-	4,745
Impairment loss	975	-	-	2,412	616	2,326	6,329
Currency translation differences	(1,004)	(265)	0	(242)	(62)	(48)	(1,621)
At 30 June 2021	19,485	113,101	34,357	5,239	1,578	2,278	176,038
Net book amount							
At 30 June 2021	11,941	10,111	-	6,256	1,360	-	29,668

Eisenbach Tresore GmbH ("Eisenbach") in the "High Security" segment was adversely affected by the significant increase in shipping costs as it fulfils its online orders. As such, management undertook an impairment assessment of the assets at Eisenbach. Management considers Eisenbach as one cash-generating unit. Based on management's assessment, as the carrying amount exceeded its estimated recoverable amount, an impairment loss on intangible assets of RMB6,329,000 was recognised for the six months ended 30 June 2021. The impairment loss was fully allocated to goodwill before being allocated to the remaining intangible assets. The value in use calculations were prepared based on similar key assumptions disclosed in the latest audited annual financial statements.

11 Property, plant and equipment and right-of-use assets

During the six months ended 30 June 2021, the Group acquired plant and equipment and recognised right-of-use assets with an aggregate cost of RMB10,497,000 (30 June 2020: RMB6,936,000) and RMB1,484,000 (30 June 2020: RMB1,819,000) respectively, and disposed of plant and equipment with net carrying amount of RMB584,000 (30 June 2020: RMB439,000).

12 Borrowings

	Group		Group	
	As at 30 June 2021		As at 31 December 2020	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings				
Amount repayable in one year	58,562	48,500	57,096	65,048
Amount repayable above one year	41,599	-	48,554	-
Total	100,161	48,500	105,650	65,048

Details of any collateral

As at 30 June 2021, borrowings comprised:

- (1) An outstanding loan of EUR1.4 million (equivalent to RMB11.0 million) which relates to a loan obtained by Format Tresorbau GmbH & Co. KG to finance the construction of warehouse. The Company provided corporate guarantee for the loan. In addition, it has outstanding lease liabilities of EUR0.4 million (equivalent to RMB3.3 million).
- (2) DTMT has an outstanding loan of EUR0.8 million (equivalent to RMB6.4 million). The Company provided corporate guarantee for the loan.
- (3) DTMT has an outstanding loan of EUR1.5 million (equivalent to RMB11.5 million), secured by the land of DTMT from a German commercial bank. In addition, DTMT has outstanding lease liabilities of EUR1.2 million (equivalent to RMB9.1 million).
- (4) Krauth Technology GmbH ("Krauth") has an outstanding loan of EUR0.9 million (equivalent to RMB7.3 million) to finance the acquisition of freehold land and building and working capital. In addition, Krauth has outstanding lease liabilities of EUR0.1 million (equivalent to RMB0.7 million).
- (5) Metric Group Limited has an outstanding loan of GBP2.4 million (equivalent to RMB21.0 million) to finance the working capital. The Company provided pledged bank balance for the loan. In addition, it has outstanding lease liabilities of GBP1.3 million (equivalent to RMB11.4 million).
- (6) Other European subsidiaries have outstanding lease liabilities of EUR0.2 million (equivalent to RMB1.6 million).
- (7) The Group's sales are mainly transacted in USD, while the major purchases are transacted in RMB. For the purpose of operating activities, a loan of RMB48.5 million was obtained by a PRC subsidiary of the Company from Chinese bank to finance the daily payment to suppliers. In addition, PRC subsidiaries have outstanding lease liabilities of RMB3.8 million.
- (8) Southeast Asia subsidiaries have outstanding lease liabilities of RMB13.1 million.
- (9) Lease liabilities are secured on the respective right-of-use assets.

13 Provisions

	Group	
	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
Provision for idle land fee	5,284	5,284
Provision for onerous contracts		
– Onerous contract A	12,143	14,400
– Onerous contract B	4,353	12,109
– Onerous contract C	657	657
	<u>22,437</u>	<u>32,450</u>

14 Share capital

	The Group & the Company	
	As at 30 June 2021 RMB'000	As at 31 December 2021 RMB'000
At beginning and end of interim period	<u>154,623</u>	<u>154,623</u>

The Company did not hold any treasury shares or subsidiary holdings as at 30 June 2021 and 31 December 2020.

The Company's subsidiaries do not hold any shares in the Company as at 30 June 2021 and 31 December 2020.

15 Change in immediate holding company

On 18 June 2021, TSI Metals HK Limited made a voluntary unconditional cash offer to acquire all the issued and paid up ordinary shares in the capital of Dutech Holdings Limited. On the offer date, the Company is deemed to be a subsidiary of TSI Metals HK Limited by virtue of the irrevocable undertakings executed by Spectacular Bright Corp and Willalpha International Limited which collectively held 58.54% shares in Dutech Holdings Limited. TSI Metals HK Limited is wholly-owned by Dr Johnny Liu, the Chairman and Chief Executive Officer of the Group.

16 Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

F. OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

1. Review

The condensed consolidated statement of financial position of the Group as at 30 June 2021 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed by the auditors.

2. Review of performance of the Group

(a) Profit statement of the Group

Revenue

For the financial period ended 30 June 2021, the Group achieved sales of RMB894.6 million, representing an increase of 14.7% or RMB114.8 million over last corresponding period. Sales of the High Security Segment increased by 11.9% or RMB47.8 million to RMB449.4 million over last corresponding period due to an increase in sales of gun safes. Sales of the Business Solutions Segment increased by 17.7% or RMB67.0 million to RMB445.2 million over last corresponding period due to the increase in sales orders. Sales of the Business Solutions segment were adversely impacted by COVID-19 pandemic during the last corresponding period.

Gross Profit

Gross profit of the Group increased by 11.8% or RMB25.4 million to RMB241.4 million. Gross margin of the Group decreased from 27.7% in the last corresponding period to 27.0%. Gross margin of the High Security Segment decreased from 31.3% to 26.0% due to the rising raw materials prices and appreciation of RMB against USD, while gross margin of the Business Solutions Segment increased from 23.9% to 28.0% mainly due to the change in product mix.

A significant percentage of our sales in the High Security segment are to the US regions and these sales are primarily denominated in USD whereas the costs of our products are primarily denominated in RMB. The appreciation of RMB against USD has the effects of eroding our margins in order to maintain our competitiveness in the US markets. Therefore, for the 6 months ended 30 June 2021, the Group registered a decline in gross margins in our High Security Segment.

Administrative expenses

Administrative expenses increased by RMB21.7 million to RMB107.0 million mainly due to the increase in contributions of pension and other social insurance expenses and product liability insurance fee. The Chinese government had exempted certain contributions of pension and other social insurance expenses in 2020 due to COVID-19.

Research and development expenses

Research and development expenses increased by RMB5.4 million to RMB40.7 million as the Group intensifies its research to develop new products and software to meet global customer needs.

Share of results from associates

Share of results from associates decreased by RMB1.5 million to RMB0.2 million mainly due to a decrease in profit from associates.

Financial expenses, net

	6 Months ended 30/06/2021 RMB'000	6 Months ended 30/06/2020 RMB'000	Change %
Interest income	1,231	3,440	(64.2)
Interest expenses	(3,164)	(3,595)	(12.0)
Net interest on net defined benefit liability	(547)	(868)	(37.0)
	(2,480)	(1,023)	142.4

Financial expenses increased by RMB1.5 million to RMB2.5 million mainly due to the decrease in interest income.

Other Expenses

	6 Months ended 30/06/2021 RMB'000	6 Months ended 30/06/2020 RMB'000	Change %
Foreign exchange loss, net	(13,194)	-	n.m.
Loss on disposal of property, plant and equipment	(189)	-	n.m.
Impairment loss on intangible assets	(6,329)	(11,435)	(44.7)
Impairment loss on right-of-use (ROU) assets	-	(6,854)	n.m.
Impairment loss on property, plant and equipment	-	(902)	n.m.
Fair value loss on forward currency contracts	-	(2,776)	n.m.
Fair value loss on other investments at fair value	-	(552)	n.m.
Others	(703)	(200)	251.5
	(20,415)	(22,719)	(10.1)

Other expenses decreased by RMB2.3 million to RMB20.4 million mainly due to the decrease in impairment loss recognised on intangible assets and ROU assets, a decrease in fair value loss on forward currency contracts, partially offset by an increase in foreign exchange loss, net.

Profit before Tax

Profit before tax was RMB32.3 million, representing a decrease of RMB2.9 million as compared to RMB35.3 million during last corresponding period.

Income Tax expenses

Income tax expenses decreased by RMB4.9 million to RMB9.5 million representing an effective tax rate of approximately 30%.

Net profit after Tax

Profit after tax was RMB22.8 million, representing an increase of RMB1.9 million as compared to RMB20.9 million during last corresponding period.

(b) Statement of financial position of the Group**Non-current Assets**

The Group's non-current assets decreased by RMB26.3 million from RMB426.9 million as at 31 December 2020 to RMB400.6 million as at 30 June 2021 mainly due to the decrease in intangible assets, property, plant and equipment and right-of-use assets.

Intangible assets decreased by RMB7.3 million from RMB37.0 million as at 31 December 2020 to RMB29.7 million as at 30 June 2021 mainly due to the amortization and impairment loss recognised.

Property, plant and equipment decreased by RMB11.7 million from RMB292.6 million as at 31 December 2020 to RMB280.9 million as at 30 June 2021 mainly due to depreciation expense for the period.

Right-of-use assets decreased by RMB6.5 million from RMB73.7 million as at 31 December 2020 to RMB67.2 million as at 30 June mainly due to the depreciation expense for the period.

Current Assets

The Group's current assets increased by RMB17.8 million from RMB1,247.2 million as at 31 December 2020 to RMB1,265.0 million as at 30 June 2021 mainly due to the increase in advances to suppliers, other receivables, deposits and prepayments and inventories, partially offset by the decrease in cash and bank balances, trade receivables and contract assets.

Advances to suppliers increased by RMB39.8 million from RMB41.5 million as at 31 December 2020 to RMB81.3 million as at 30 June 2021 mainly due to the increase in advance payment for purchase of raw materials.

Other receivables, deposits and prepayments increased by RMB10.6 million from RMB16.3 million as at 31 December 2020 to RMB26.9 million as at 30 June 2021 mainly due to the deposits placed and prepaid insurance.

Inventories increased by RMB33.5 million from RMB320.0 million as at 31 December 2020 to RMB353.5 million as at 30 June 2021 in tandem with increase in sales.

Trade receivables decreased by RMB40.0 million from RMB297.4 million as at 31 December 2020 to RMB257.4 million as at 30 June 2021 mainly due to better collections and better credit controls.

Contract assets decreased by RMB4.7 million from RMB27.4 million as at 31 December 2020 to RMB22.7 million as at 30 June 2021 mainly due to timing of milestone billings on project sales.

Current Liabilities

The Group's current liabilities decreased by RMB10.4 million from RMB479.4 million as at 31 December 2020 to RMB469.0 million as at 30 June 2021 mainly due to the decrease in borrowings, due to related parties, provisions and income tax payables, partially offset by the increase in trade payables, other payables and accruals and contract liabilities.

Short-term borrowings decreased by RMB15.0 million from RMB122.1 million as at 31 December 2020 to RMB107.1 million as at 30 June 2021 mainly due to net repayments.

Due to related parties decreased by RMB6.4 million from RMB7.4 million as at 31 December 2020 to RMB1.0 million as at 30 June 2021 mainly due to the payments made.

Provisions decreased by RMB10.0 million from RMB32.4 million as at 31 December 2020 to RMB22.4 million as at 30 June 2021 mainly due to the payments made.

Income tax payables decreased by RMB1.9 million from RMB4.4 million as at December 2020 to RMB2.5 million as at 30 June 2021 mainly due to the income taxes paid partially offset by tax provisions during the period.

Trade payables increased by RMB2.0 million from RMB130.7 million as at 31 December 2020 to RMB132.7 million as at 30 June 2021 in tandem with increase in inventories.

Other payables and accruals increased by RMB10.3 million from RMB124.3 million as at 31 December 2020 to RMB134.6 million as at 30 June 2021 due to an increase in accrued bonus.

Contract liabilities increased by RMB10.7 million from RMB58.1 million as at 31 December 2020 to RMB68.8 million as at 30 June 2021 due to the increase in advance payment from customers.

Non-current Liabilities

Non-current liabilities decreased by RMB10.4 million from RMB166.5 million as at 31 December 2020 to RMB156.1 million as at 30 June 2021 mainly due to the decrease in long-term borrowings and pension liability.

Long-term borrowings decreased by RMB7.0 million from RMB48.6 million as at 31 December 2020 to RMB41.6 million as at 30 June 2021 mainly due to the reclassification from non-current liabilities to current liabilities. Total borrowings have decreased due to net repayments made during the period.

Pension liability decreased by RMB2.3 million from RMB83.1 million as at 31 December 2020 to RMB80.8 million as at 30 June 2021 mainly due to payments made during the period.

Shareholders' Equity

As a result of the Group's total comprehensive income generated during the period, shareholders' equity increased from RMB1,028.3 million as at 31 December 2020 to RMB1,040.5 million as at 30 June 2021.

(c) Cash Flow Statement of the Group

Net cash from operating activities was RMB22.3 million for the 6 months ended 30 June 2021 mainly due to the operating profit before working capital changes of RMB63.7 million, partially offset by working capital changes of RMB30.4 million and income tax paid of RMB11.0 million.

Net cash used in investing activities was RMB13.9 million for the 6 months ended 30 June 2021 mainly due to purchase of property, plant and equipment and intangible assets, partially offset by interest received.

Net cash used in financing activities was RMB25.6 million for the 6 months ended 30 June 2021 mainly due to the repayment of borrowings, interest payments and placement of pledged deposits, partially offset by the proceeds from borrowings.

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

Not applicable.

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

The prolonged COVID-19 pandemic around the world has continued to put a strain on the Group's business. The resurgence of COVID-19 in late July 2021 in Jiangsu Province in China has resulted in travel control between Nantong and other cities including Shanghai. This has caused disruptions to part of the Group's business operations and its effects are projected to continue for a while.

Management also expects trading conditions in the immediate term to remain challenging in light of rising raw material

prices and in particular, steel prices, rising freight costs, rising labour costs, steady appreciation of RMB against the USD, and a shrinking ATM market with ebanking and other fintech solutions. On-going trade and political tensions between China and the US will also pose uncertainties to the Group's performance.

5. Dividend Information

5a. Current Financial Period Reported on

Any dividend recommended for the current financial period reported on?

No

5b. Corresponding Period of the Immediate Preceding Financial Year

An interim dividend (tax exempt one-tier) of S\$ 0.01 per ordinary share was declared on 13 August 2020.

5c. Date Payable

Not applicable.

5d. Books Closure Date

Not applicable.

6. Interested person transactions

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial period under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Nantong Mayway Products Corp.	Rental for land and buildings for the first half year 2021: RMB2.1 million*	NIL
Duowei Electromechanical (Tongzhou) Co., Ltd	Raw materials purchase for the first half year 2021: RMB3.5 million	NIL

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

The Group has re-negotiated with Nantong Mayway Products Corp. and the two lease agreements were renewed for a period of 3 years commencing from 1 January 2019 with aggregate annual rental at RMB4.2 million.

7. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

BY ORDER OF THE BOARD

Johnny Liu

Chairman & CEO

17 August 2021