



DUTECH HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)

Registration No. 200616359C

RESPONSE TO QUERIES RAISED BY SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE UNAUDITED FINANCIAL STATEMENTS FOR THE FIRST HALF YEAR ENDED 30 JUNE 2021

The board of directors (the “**Board**”) of Dutech Holdings Limited (the “**Company**”) refers to the Company’s financial statements for the first half year ended 30 June 2021 (“**HY 2021**”) released on 17 August 2021 and wishes to respond to the queries raised by Singapore Exchange Securities Trading Limited (“**SGX-ST**”) as follows:

SGX-ST’s Query 1:

We note that the Company disclosed on page 17 of the Financial Statements that “[advances] to suppliers increased by RMB39.8 million . . . mainly due to the increase in advance payment for purchase of raw materials”. Please elaborate on the explanation.

The Company’s response:

The increase in advances to suppliers were due to increased orders placed for raw materials in anticipation of demand for our products in H2 2021 (July to December) as well as increases in steel prices, resulting in higher cost of our raw materials. Further, due to shortages of raw materials, more suppliers were requiring advance payments to secure deliveries.

SGX-ST’s Query 2:

Please explain why interest income amounted to only RMB 1.23 million during the financial period ended 30 June 2021 when the Company has significant cash and cash equivalents amounting to RMB 476 million.

The Company’s response:

As at 30 June 2021, approximately 79% of the Group’s cash and bank balance of RMB 476.7 million were denominated in United States dollars, Euro dollars and Singapore dollars. As these deposits were offered with minimal returns of close to zero, the Company’s interest income for the year ended 30 June 2021 approximates only RMB 1.23 million.

SGX-ST's Query 3:

Please provide the reason(s) for the significant borrowings of RMB 148.6 million by the Group when the Group recorded a cash and cash equivalent of RMB 476 million as at 30 June 2021.

The Company's response:

The breakdown of the Group's borrowings as at 30 June 2021 is as below:

	RMB'000
Lease liabilities	43,071
Government special COVID-19 loan	5,524
Property or construction loans	12,743
Working capital loans	87,323
Total	148,661

As disclosed in the above table, RMB 43.1 million was lease liabilities recognised in accordance with SFRS(I) 16 Leases; RMB 5.5 million was a special government loan granted to one of our German subsidiaries due to COVID-19 pandemic; Majority of the mortgage loans were obtained for the construction or acquisition of land and buildings and were being repaid according to the loan schedule. In addition, as disclosed in our announcement, the Group's sales are mainly transacted in USD while major purchases are transacted in RMB. For the purpose of operating activities, working capital loans amounting to RMB48.5 million was obtained by a PRC subsidiary to finance the payment to suppliers. Working capital loans were also obtained by our UK subsidiary to meet their operating requirements. The Group's approach to managing our liquidity is to ensure that it has sufficient liquidity to meet its liabilities when due, under both normal and distressed conditions. The Group believes a healthy level of borrowings is part of its liquidity risk management.

SGX-ST's Query 4:

Please provide the reason(s) for the significant trade payables of RMB 132 million when the Group recorded a cash and cash equivalent of RMB 476 million as at 30 June 2021.

The Company's response:

Majority of the trade payables are not due and are within its credit terms. Based on the Group's cashflow management policy, the Group plans to schedule its payments to suppliers on a timely basis to fully maximise the credit terms granted by its suppliers.

On behalf of the Board

Dr Johnny Liu
Executive Chairman and CEO
26 August 2021