DUTECH HOLDINGS LIMITED

ANNUAL REPORT 2015

CONTENTS

ABOUT DUTECH

Incorporated in Singapore in 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 and provides other business solutions to its customers.

The Group's origin can be traced to Nantong Hi-Wits Precision Co., Ltd., which was established in 2000 by Dr. Johnny Liu with his partners. The Group's headquarter 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, Germany, USA and Philippines.

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 "Best Suppliers" by Wincor Nixdorf, the "Golden Award" by Diebold in 2012, 2013 and 2014, the "Quality Supplier" by Scientific Games in 2014, and the "21 Century China best business model selection" in 2014.

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, Wincor Nixdorf, Liberty Safe & Security Products Inc., Tractor Supply Co., Costco Co., Glory Ltd., SGI, Bauhaus, Schaefer Shop, Trumpf, and Amada.

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

CHAIRMAN'S MESSAGE

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 2015 ("FY2015").

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 2015 ("FY2015").

2015 was another challenging year for the global financial markets. Nevertheless, despite the tough operating environment, the Group turned in a commendable performance with improvements in revenue and margins.

FINANCIAL REVIEW

Group revenue increased by 13.6% to RMB1,193.7 million in FY2015 as compared to RMB1,050.9 million for the financial period ended 31 December 2014 ("FY2014"). This was attributed to the Business Solutions Segment which registered increased sales of RMB181.1 million to RMB372.4 million mainly due to the acquisition of Deutsche Mechatronics GmbH ("DTMT") in October 2014. For the High Security Segment, revenue declined marginally by 4.4% to RMB821.3 million from the decrease in orders for gaming machines and the phase-out of a few ATM safe models, meanwhile offset by an increase in sales from the launch of a new safe model in the last quarter of FY2015.

Profitability wise, Group gross profit grew by 33.2% to RMB341.9 million in FY2015 as compared to RMB256.6 million in FY2014 with gross margin improvement to 28.6% from 24.4% in the same corresponding financial period. Segmentally, High Security Segment's gross margin rose by 6.5% to 32.1% due to a change in product mix and better costs control. Gross margin for the Business Solutions Segment, also increased, from 19.3% to 21.0%, attributed to a focus on higher margin products and lower material costs.

While the Group's selling and distribution expenses remained relatively stable at RMB57.1 million in spite of the increase in sales, administrative expenses excluding R&D expenses increased by 49.7% to RMB132.0 million in FY2015, of which DTMT incurred RMB44.4 million, an increase of RMB27.5 million over FY2014. Excluding DTMT, Group's administrative expenses increased by RMB16.3 million as a result of hiring of high-value employees to provide engineering solutions as well as accrued staff benefits. The Group continued its investment in R&D in order to develop new products in keeping with high security standards and customers' demands. R&D expenses for the year increased by 8.6% to RMB27.9 million.

Notwithstanding the increase in operating expenses, Group's profit from operations jumped 46.6% to RMB125.0 million in FY2015 from RMB85.2 million in FY2014. Profit before tax was down 8.2% to RMB149.4 million due to lower other income which dropped to RMB27.1 million from RMB98.5 million in FY2014. This is attributed to the decrease in the one-off bargain purchase arising from the acquisition of DTMT in 2014 and fair value changes on contingent consideration arising from the acquisition of a subsidiary and settlement of forward contracts. The decrease is partially offset by other expenses which declined by 78.3% due to lower fair value loss from foreign exchange currency contracts with banks. Income tax for the year rose by 74.6% to RMB31.4 million from RMB18.0 million due to the increase in operating profit. Consequently, the Group ended the year with a net profit after tax of RMB118.0 million, an 18.5% decrease from RMB144.8 million in FY2014.

The Group's financial position remains healthy as at 31 December 2015. Non-current assets increased by RMB14.0 million to RMB333.6 million, attributed to the increase in property, plant and equipment, and held to maturity investments, partially offset by lower intangible assets. Current assets also trended up by RMB101.7 million to RMB619.3 million, due to the increase in trade receivables, advances to suppliers and cash and bank balances, partially offset by the decrease in available-for-sale financial assets relating to the Group's investment in a treasury product. Current liabilities increased by RMB11.8 million to RMB217.0 million as a result of an increase in borrowings and other payables and accruals, offset by a decrease in trade payables and derivative financial instruments. With the net profit generated during the period, Group's shareholders' equity improved from RMB604.9 million to RMB693.8 million.

The Group ended the year with a strong cash and cash equivalent position of RMB240.4 million, an increase of RMB162.6 million compared to RMB77.8 million in FY2014. Bank borrowings as at 31 December 2015 stands at RMB54.9 million. In terms of cash flows, the Group registered net cash from operating activities of RMB106.3 million in FY2015 due to the increase in operating profit before working capital changes. This was partially offset by the decrease in trade payables and the increase in trade receivables and advance to suppliers.

A total of RMB69.0 million net cash was generated from investing activities, largely from the maturity of available-for-sale financial assets proceeds, interest received and Government grants. This was offset by the addition of property, plant and equipment and purchase of held-to-maturity investments and available-for-sale financial assets. Net cash of RMB2.0 million was used in financing activities due to the payment of interim dividends, repayment of loans, interest and finance leases, offset by proceeds from bank borrowings and release from pledged deposits.

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 Automated Teller Machines ("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 United States ("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 sales and service facilities in the US and the Philippines.

EXPANSION INTO HIGHER VALUE-ADDING INTELLIGENT TERMINALS BUSINESS WITH DTMT

Since 2011, Dutech has embarked on a number of mergers and acquisitions ("M&A)" which enabled us to expand our customer base, realise cost synergies and augment our engineering capabilities. In October 2014, we acquired DTMT, a German

CHAIRMAN'S MESSAGE

electromechanical solutions provider, to broaden our market base and to penetrate the higher value-adding intelligent terminal business through developing products such as gaming and ticketing machines. Since the acquisition, we have been focusing on improving DTMT's performance by coorperating closely on developing new products and securing of new customers. Leveraging on its German facilities and expertise in engineering solutions, coupled with Dutech's cost-effective manufacturing and marketing capabilities, we are well-positioned to captalise on the opportunities presented in this growth segment.

CONTINUOUS INVESTMENT IN R&D AND NEW PRODUCT DEVELOPMENT

In order to maintain our market leadership in the high security equipment space, Dutech is committed to continuously improve our product spectrum through investment in R&D and development of new products in keeping up with higher security standards and meeting customers' demands.

As a testament to our achievements in R&D, Dutech was awarded over 10 patents by the Chinese Government and was also named a high-tech enterprise. In keeping with our commitment to meeting the highest quality standards, in 2015, 10 models of our ATM safe were certified by UL, USA, and 16 models of our ATM CEN safe were certified by ECBS ("European Certificate Body"). These certifications are widely recognised in the US and European markets for product quality and safety, and served as key criteria of customers when working with high security equipment suppliers. 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 global economic outlook for 2016 is predicted to remain bleak as it grapples with uncertainties in diverging market conditions. While the US showed signs of recovery, Europe continued its tepid growth with the Euro debt crisis still not fully resolved. Asia also did not fare well with the slowdown in China and Japan.

Notwithstanding the fragile state of the global economy, our industry prospects remains bright over the mid to long term. For our High Security Segment, the global ATM market is expected to reach U$21.9 billion by 2020, according to a report, "Global ATM Market – Size, Industry Analysis, Trends, Opportunities, Growth and Forecast, 2013-2020", by global market intelligence firm Allied Market Research. Further, the Asia-Pacific region is forecasted to have the fastest growth rate with a CAGR of 10.6% during that period. For our Business Solutions Segment, the global vending machine market is slated to grow at a CAGR of 14.4% over the period 2014-2019, according to Research and Markets, the world's largest market research store, in its report "Global Vending Machines Market 2015-2019".

In the year ahead, the Group will continue to augment our leading position in the high security space by further expanding our markets in the Asia-Pacific, the US and Europe. Operationally, we will focus on improving our efficiencies, particularly, the restructuring and turnaround of DTMT, and boosting our capabilities in the design and manufacture of intelligent terminals, leveraging on our shared synergies with Krauth Technology GmbH, the newly acquired subsidiary of the Group. We will also continue to invest in R&D in order to drive innovation and engage in value-added product development in areas such as expanding our self-service machine and terminal businesses. Over the longer term, the Group will work towards vertical integration and move up the value chain so that we can provide one-stop solutions to our customers worldwide.

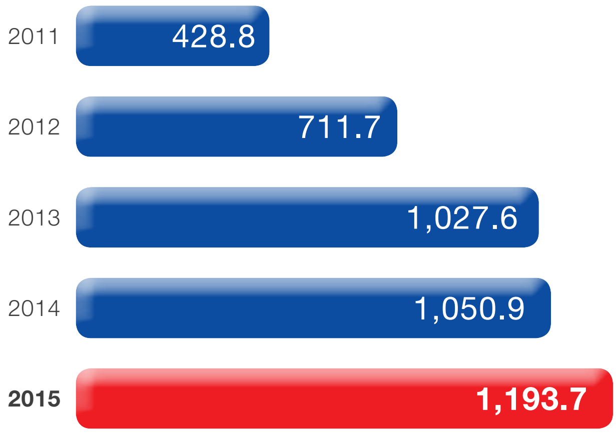
APPRECIATION

In closing, on behalf of the Board, I would like to extend my sincere gratitude to our loyal customers, business partners and suppliers for their valuable support and trust in our Group. I would also like to express my appreciation to our shareholders for their continued support and our management and staff for their hard work and dedication to the Group during the year. Lastly, I would like to thank our Board of Directors for their guidance and counsel. I am looking forward to leading Dutech through a new year which will bring about more opportunities to grow our markets and increase our capabilities.

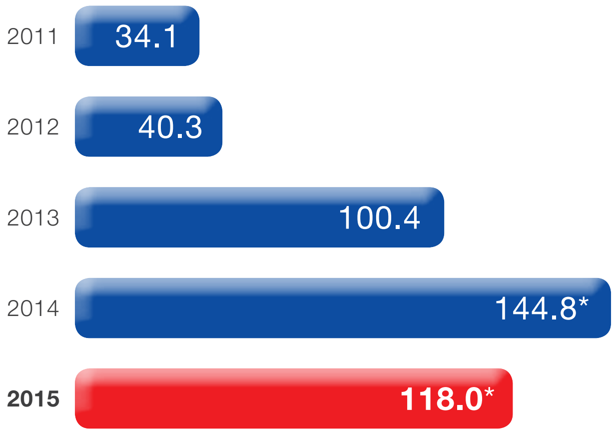
DR. JOHNNY LIU JIAYAN
Chairman & CEO

FINANCIAL HIGHLIGHTS

REVENUE
(RMB Million)

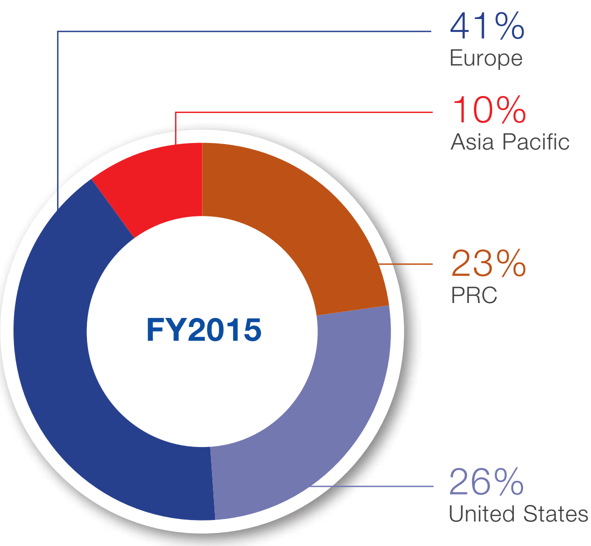


PROFIT ATTRIBUTABLE TO SHAREHOLDERS
(RMB Million)

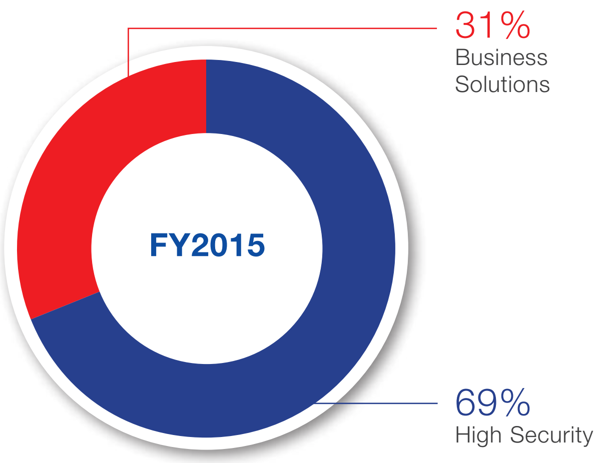


* Adjusted by the one-off bargain purchase of RMB55.9 million in FY2014 arising from the acquisition of DTMT, the profit attributable to shareholders would have been jumped 32.7% or RMB29.9 million to RMB118.0 million in FY2015 from adjusted RMB88.9 million in FY2014.

REVENUE BY GEOGRAPHICAL REGION



REVENUE BY PRODUCTS



DIRECTOR'S PROFILE

DR. JOHNNY LIU JIAYAN

is the 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, Vice Chairman of the Board and a substantial shareholder of the Company.

MR. LIU BIN

is the 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. and Kewell Products Corporation.

Mr. Liu is the brother of Dr. Johnny Liu Jiayan, Chairman and CEO of the Company and a substantial 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. During the preceding 3 years, he was a board member of G K Goh Holdings Limited and New Toyo International Holdings Limited, companies listed on the SGX-ST.

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 24 April 2013. 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 24 April 2013. 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 with a group turnover of approximately € 9.2 billion in 2015. Furthermore, Dr. im Brahm-Droege is the Chairperson of the Advisory Board of the Rheingold Art Collection and was the Chairperson of the Trustees of the University of Witten-Herdecke. 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 daily operations and production for both High Security and Semiconductor business. 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 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.

MR. WALTER CAO YONGGANG

was appointed as Group Chief Financial Officer ("CFO") in January 2010. Mr. Cao is a member registered with the Institute of Singapore Chartered Accountants and has more than 10 years of managerial experience in accounting & finance, mergers & acquisitions and business development. Prior to joining the Group, Mr. Cao had worked as Deputy CFO for China Dairy Group Ltd., a listed company on SGX mainboard from 2006. Before that, he held managerial positions in Fraser and Neave, Limited in Singapore from 2003 to 2006 and China Commodity Inspection Company from 1998 to 2001. Mr. Cao obtained his Bachelor of Economics from University of International Business and Economics in 1996 and Master of Business Administration ("MBA") from National University of Singapore and Peking University in 2003.

Mr. Cao has resigned as CFO of the Company with effect from 13 December 2015 to pursue other interests and new opportunities. The Board is in the process of recruiting a suitable replacement CFO. Pending the appointment of a replacement, Ms. Donia Dong Junxia, the Group Financial Controller, will oversee the Dutech Group's financial functions including accounting, internal controls, financial and management reporting.

MR. DAVID WEI YUNDE

is our Chief Technology Officer and is 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.

MS. JESSICA SHI YI

is our Sales Director and is responsible for the planning, implementation and execution of business development strategy of our Group.

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. She had attended Executive Educational Program from Wharton Business School, University of Pennsylvania in 2008.

MS. DONIA DONG JUNXIA

is our Group Financial Controller since December 2006 and will oversee 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 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.

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;
- reviewing and approving the financial performance of the Group including its quarterly and full year financial results announcements, annual audited accounts, proposals of dividends and the Directors’ Report thereto;
- reviewing 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 2015 ("FY2015") 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 Jiayan, Executive Chairman & CEO	4	N.A.	N.A.	N.A.
Mr. Liu Bin, Executive Vice-Chairman	3	N.A.	N.A.	N.A.
Mr. Tang See Chim, Lead Independent Director	3	3	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 FY2015, Directors were briefed by the external auditor on the developments in financial reporting and governance 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 20 to 21 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

CORPORATE GOVERNANCE REPORT

the Non-Executive Director for FY2015 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. Both Dr. Johnny Liu Jiayan and Mr. Liu Bin have served the Company for a period exceeding nine years.

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 Jiayan, 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. Further, in accordance with the recommendations of the Code, Mr Tang See Chim has been appointed as the Lead Independent Director. 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.

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.

CORPORATE GOVERNANCE REPORT

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. Chen Zhaohui, George, Independent Director retiring pursuant to Article 107; and

(ii) Mr. Graham Macdonald Bell, Independent Director retiring pursuant to Article 107.

The NC recommends all appointments and re-nominations/re-appointments 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.

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 Jiayan	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	24 April 2013
Mr. Chen Zhaohui, George	Independent Director	4 June 2007	24 April 2013
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 abilities and known commitments and responsibilities. There is no alternate director on the Board.

CORPORATE GOVERNANCE REPORT

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 FY2015, 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 FY2015 and expects that the Directors will continue to discharge their duties adequately in FY2016.

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 independence 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.

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. Lim Ka Bee resigned as Company Secretary and the Board has collectively decided on the appointment of Ms. Lynn Wan Tiew Leng 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)

CORPORATE GOVERNANCE REPORT

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 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.

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 FY2015 is as follows:

Name of Directors	Remuneration S$	Salary %	Bonus %	Fees %	Other Benefits %	Total %
Dr. Johnny Liu Jiayan	410,004	34	66	–	–	100
Liu Bin	91,600	67	33	–	–	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

CORPORATE GOVERNANCE REPORT

Information on the remuneration band of the key management personnel of the Company for FY2015 is as follows:

Remuneration Band & Name of Key Management Personnel	Salary %	Bonus %	Fees %	Other Benefits %
Below S$250,000				
Winson Chen Wen Kun	72	24	–	4
Walter Cao Yonggang[1]	70	20	–	10
David Wei Yun De	58	42	–	–
Jessica Shi Yi	79	16	–	5
Donia Dong Junxia	73	21	–	6

1 Resigned as Chief Financial Officer on 13 December 2015

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 FY2015 having regard to the highly competitive human resource environment.

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 FY2015, 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 as well as appropriate measures to control and mitigate these risks.

CORPORATE GOVERNANCE REPORT

The Board has received assurance from the CEO and Financial Controller:

(a) that financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; 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 2015.

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.

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 auditors' 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.

CORPORATE GOVERNANCE REPORT

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 all management personnel and has full discretion to invite any Director and/or key management personnel to attend its meetings.

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 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 auditors. Details of the aggregate amount of fees paid to the external auditor for FY2015 and a breakdown of the fees paid in total for audit and non-audit services respectively, can be found on page 81. 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 auditor as well as the independence and objectivity of the external auditor. 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 should 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 Eloner Stolz Mönning Bachem GmbH & Co. KG in Germany.

During FY2015, 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 Eloner Stolz Mönning Bachem GmbH & Co. KG had undertaken reviews on the subsidiaries in Germany, namely Format Tresorbau GmbH & Co. KG 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.

CORPORATE GOVERNANCE REPORT

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.

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.

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.

The Company will be reviewing its Constitution to remove the limit on the number of proxies which may be appointed by nominee companies in conjunction with the corresponding proposed amendments to the Companies Act, Cap. 50 in relation thereto.

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.

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.

The Company will implement poll voting at the forthcoming AGM. Detailed results of the outcome are announced after the meeting via SGXNet.

There is no formal dividend policy adopted by the Company. The Company declared and paid an interim dividend of S$0.015 per share for FY2015 on 26 June 2015. The Board, having further reviewed the cashflow position and contingent liability of the Group, did not recommend any payment of final dividend for FY2015.

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: RMB3.7 million*	*NIL*
Nantong Wiedson Hi-Wits Precision Works Co., Ltd.	*Purchase of raw materials: RMB0.7 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 Jiayan	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. – Jiangsu Zhongke Hi-wits Technology Development Corp. – Nantong Wiedson Hi-Wits Precision Co., Ltd. – Kewell Products Corporation	– Nantong Hi-Wits Electron Irradiation Technology Co., Ltd.
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. – Media Development Asia Pte Ltd. – Premium Gain International Pte Ltd. – Comitas International Pte Ltd. – Gravitas Pte Ltd. – Asia Earths Pte Ltd. – Li Shun Holdings Ltd. – Lixing International Holdings Ltd.	– Nil

CORPORATE GOVERNANCE REPORT

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 Purpose Eins Holding GmbH – Special Technology Holding GmbH (formerly Special Purpose Zwei 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.	– Chairperson of the Trustees of the University of Witten-Herdecke

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 2015 and the statement of financial position of the Company as at 31 December 2015.

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 27 to 102 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 2015 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 report are as follows:

Dr. Johnny Liu Jiayan
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			Indirect interests		
	At 1 January 2015	At 31 December 2015	At 21 January 2016	At 1 January 2015	At 31 December 2015	At 21 January 2016
Company						
Ordinary shares						
Dr. Johnny Liu Jiayan	650,000	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 Jiayan is deemed to have interests in the share capital of the Company's wholly owned subsidiaries.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 2015 prior to their submission to the Board of Directors, as well as the independent auditors' 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 2015

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 JIAYAN
Director

LIU BIN
Director

31 March 2016

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DUTECH HOLDINGS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Dutech Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 27 to 102, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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 that 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DUTECH HOLDINGS LIMITED

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.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

31 March 2016

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"))

	Note	Group		Company	
		2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	3	168,067	168,067	168,067	168,067
Capital reserve	4	33,056	33,056	–	–
Statutory reserve	5	56,221	44,975	–	–
Merger deficit	6	(13,029)	(13,029)	–	–
Revenue reserve	7	473,335	390,957	15,222	25,442
Translation deficit	8	(23,873)	(19,139)	(13,763)	(11,712)
Fair value reserve	9	6	–	–	–
TOTAL EQUITY		693,783	604,887	169,526	181,797
ASSETS					
Non-current assets					
Property, plant and equipment	10	245,262	236,417	–	–
Land use rights	11	59,766	61,068	–	–
Subsidiaries	12	–	–	30,149	28,925
Associates	13	6,968	6,616	–	–
Intangible assets	14	10,037	15,498	–	–
Held-to-maturity investments	15	9,270	–	–	–
Deferred tax assets	16	2,283	–	–	–
		333,586	319,599	30,149	28,925
Current assets					
Inventories	17	151,784	153,653	3,701	–
Trade receivables	18	196,226	164,728	3,049	2,413
Other receivables, deposits and prepayments	19	5,154	5,150	–	–
Advances to suppliers		19,106	16,236	–	–
Due from subsidiaries (non-trade)	20	–	–	108,749	151,962
Available-for-sale financial assets	21	6,545	100,000	–	–
Cash and bank balances	22	240,444	77,813	31,717	7,413
		619,259	517,580	147,216	161,788
TOTAL ASSETS		952,845	837,179	177,365	190,713
LIABILITIES					
Current liabilities					
Trade payables		75,934	82,969	3,924	2,883
Other payables and accruals	23	83,056	71,720	1,800	2,157
Borrowings	24	46,839	35,449	–	–
Due to a related party (trade)	20	429	442	–	–
Income tax payable		10,783	10,014	2,115	–
Derivative financial instruments	25	–	4,635	–	1,050
		217,041	205,229	7,839	6,090
Non-current liabilities					
Deferred tax liabilities	16	17,018	4,934	–	–
Other payables	23	2,565	5,285	–	2,826
Deferred income	26	14,334	9,418	–	–
Borrowings	24	8,104	7,426	–	–
		42,021	27,063	–	2,826
TOTAL LIABILITIES		259,062	232,292	7,839	8,916
NET ASSETS		693,783	604,887	169,526	181,797

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 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB")

	Note	2015 RMB'000	2014 RMB'000
Revenue	27	1,193,748	1,050,913
Cost of sales		(851,838)	(794,269)
Gross profit		341,910	256,644
Other income	28	27,134	98,494
Selling and distribution expenses		(57,080)	(57,578)
Administrative expenses		(159,877)	(113,853)
Finance income		5,173	3,990
Finance expense		(3,161)	(2,387)
Finance income, net	30	2,012	1,603
Other expenses	31	(5,018)	(23,105)
Share of profits of associates	13	354	631
Profit before tax	32	149,435	162,836
Income tax	33	(31,435)	(18,008)
Profit for the year		118,000	144,828
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation		(4,734)	(17,528)
Changes in fair value of available-for-sale financial assets		6	–
Other comprehensive loss, net of tax		(4,728)	(17,528)
Total comprehensive income for the year		113,272	127,300
Profit attributable to:			
Equity holders of the Company		118,000	144,828
Total comprehensive income attributable to:			
Equity holders of the Company		113,272	127,300
Earnings per share (cents)			
Basic and diluted	34	33.10	40.62

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"))

2015
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 RMB'000	Fair value reserve RMB'000	Total equity RMB'000
Balance as 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, 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 35)	–	–	–	–	(24,376)	–	–	(24,376)
Total contributions by and distributions to owners	–	–	11,246	–	(35,622)	–	–	(24,376)
Balance as at 31 December 2015	168,067	33,056	56,221	(13,029)	473,335	(23,873)	6	693,783

2014
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 RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 1 January 2014	168,067	33,056	38,740	(13,029)	237,504	(1,611)	462,727	–	462,727
Profit for the financial year	–	–	–	–	144,828	–	144,828	–	144,828
Other comprehensive loss, net of tax	–	–	–	–	–	(17,528)	(17,528)	–	(17,528)
Total comprehensive income for the financial year	–	–	–	–	144,828	(17,528)	127,300	–	127,300
Transfer to statutory reserve (Note 5)	–	–	6,235	–	(6,235)	–	–	–	–
Dividends on ordinary shares (Note 35)	–	–	–	–	(17,736)	–	(17,736)	–	(17,736)
Total contributions by and distributions to owners	–	–	6,235	–	(23,971)	–	(17,736)	–	(17,736)
Acquisition of a subsidiary	–	–	–	–	–	–	–	42,792	42,792
Acquisition of non-controlling interests without changes in control (Note 12(ii)(b))	–	–	–	–	32,596	–	32,596	(42,792)	(10,196)
Total changes in ownership interests in subsidiaries	–	–	–	–	32,596	–	32,596	–	32,596
Total transactions with owners	–	–	6,235	–	8,625	–	14,860	–	14,860
Balance as at 31 December 2014	168,067	33,056	44,975	(13,029)	390,957	(19,139)	604,887	–	604,887

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"))

	Note	2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Profit before tax		149,435	162,836
Adjustments:			
Amortisation of land use rights	11	1,302	1,010
Amortisation of intangible assets	14	5,461	5,284
Amortisation of deferred government grants	26	(1,324)	(1,142)
Depreciation of property, plant and equipment	10	19,400	16,160
Fair value changes on contingent consideration	23	(2,765)	(19,317)
Fair value loss on derivative financial instruments		–	18,072
Loss on disposal of property, plant and equipment	31	722	346
Settlement of forward contracts, net		(6,215)	(8,425)
Interest expenses		3,161	1,660
Interest income		(5,173)	(3,990)
Unwinding of discount on contingent consideration		–	727
Gain on foreign exchange		(4,636)	–
Share of profits of associates	13	(354)	(631)
Gain on bargain purchase arising from the acquisition of a subsidiary	12	–	(55,924)
Contingent consideration	23	2,129	–
Operating profit before working capital changes		161,143	116,666
Inventories		(1,726)	20,992
Trade receivables		(31,800)	(9,142)
Other receivables, deposits and prepayments		870	5,401
Advances to suppliers		(3,142)	(5,950)
Trade payables		(6,344)	(19,298)
Other payables and accruals		7,962	8,972
Due to a related party (trade)		(13)	(280)
Cash generated from operations		126,950	117,361
Income tax paid		(20,695)	(14,571)
Net cash from operating activities		106,255	102,790
Cash flows from investing activities			
Interest received		6,373	3,990
Proceeds from disposal of property, plant and equipment		14	62
Purchase of property, plant and equipment (Note A)		(30,198)	(53,019)
Purchase of land use right	11	–	(18,860)
Government grants received related to assets		6,240	–
Receipt from settlement of forward contracts		1,602	8,636
Payment for settlement of forward contracts		–	(211)
Net cash inflow on acquisition of a subsidiary	12	–	10,289
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	(6,268)	(100,000)
Net cash from/(used in) investing activities		68,977	(149,113)
Cash flows from financing activities			
Acquisition of non-controlling interests without a change in control	12	–	(7,737)
Dividends paid	35	(24,376)	(17,736)
Interest paid		(2,858)	(1,660)
Repayment to a related party (non-trade)		–	(3,600)
Proceeds from borrowings		20,212	5,398
Repayment of loans		(8,711)	(14,176)
Repayment of finance lease		(3,099)	(2,570)
Withdrawal of pledged deposits	22	16,855	2,473
Net cash used in financing activities		(1,977)	(39,608)
Net increase/(decrease) in cash and cash equivalents		173,255	(85,931)
Effect of exchange rate changes in cash and cash equivalents		6,231	(2,545)
Cash and cash equivalents at beginning of financial year		60,726	149,202
Cash and cash equivalents at end of financial year	22	240,212	60,726

Note A

	2015 RMB'000	2014 RMB'000
Total additions to property, plant and equipment (Note 10)	32,759	53,019
Add: amounts prepaid included in prepayments	2,199	–
Less: amount financed through hire purchase	(4,760)	–
Purchase of property, plant and equipment per consolidated statement of cash flows	30,198	53,019

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), 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 in 11G International Shipping & Finance Centre, 720 Pudong Ave, Shanghai 200120, People's Republic of China ("PRC").

The principal activity of the Company is 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 ultimate 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 Jiayan.

The financial statements for the financial year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 31 March 2016.

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.

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 2015, 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 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), 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
FRS 114 *Regulatory Deferral Accounts*	1 January 2016
Amendments to FRS 27: *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 16 and FRS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 16 and FRS 41: *Agriculture: Bearer Plants*	1 January 2016
Amendments to FRS 111: *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to FRS 110 and FRS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined
Improvements to FRSs (November 2014)	
– Amendment to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
– Amendment to FRS 107 *Financial Instruments: Disclosures*	1 January 2016
– Amendment to FRS 19 *Employee Benefits*	1 January 2016
– Amendment to FRS 34 *Interim Financial Reporting*	1 January 2016
Amendments to FRS 1: *Disclosure Initiative*	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28: *Investment Entities: Applying the Consolidation Exception*	1 January 2016
Amendments to FRS 7: *Disclosure Initiative*	1 January 2017
Amendments to FRS 12: *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018

Except for Amendments to FRS 1, FRS 27, FRS 7 and FRS 12 and the new standards FRS 115 and FRS 109, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of those impending changes in accounting policy on adoption of the above mentioned standards are described below.

Amendments to FRS 1 *Disclosure Initiative*

FRS 1 *Presentation of Financial Statements* is amended as part of the initiatives by the standard-setters to improve presentation and disclosure in financial reports. The amendments clarify materiality guidance in FRS 1 and clarify on aggregating and disaggregating line items on the statement of financial position and statement of profit or loss and other comprehensive income, including added guidance on presenting sub-totals. The amendments also give examples on systematic ordering or grouping of the structure of the notes to financial statements. In addition, following the amendments, the share of Other Comprehensive Income ("OCI") of the equity-accounted investments shall be presented separately from the other OCI on the statement of changes in equity. The Group will apply these amendments in 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

Amendments to FRS 27: *Equity Method in Separate Financial Statements*

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements using the equity method as described in FRS 28 Investments in Associates and Joint Ventures, in addition to measurement at cost and in accordance with FRS 39 Financial Instruments: Recognition and Measurement. The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

The Company currently presents its investment in separate financial statements at cost and will review this policy consequent to this amendment which is effective in 2016.

Amendments to FRS 7: *Disclosure Initiative*

The amendments introduce additional disclosure requirement intended to enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes. The Group will apply these amendments prospectively in 2017.

Amendments to FRS 12: *Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments clarify that unrealised losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences. The amendments also clarify that the carrying amount of an asset does not limit the estimation of probable future taxable profits if there is sufficient evidence; and that when comparing deductible temporary differences with future taxable profits, the future taxable profits excludes tax deductions arising from the reversal of those deductible temporary differences. The amendments are to be applied retrospectively and are effective from 1 January 2017 with earlier application permitted.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), 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. 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. The Group is in the process of assessing the impact of the new standard for the future periods.

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.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(i) Subsidiaries (Continued)

(b) Acquisition of businesses (Continued

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.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to recognise them either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, at the date of acquisition.

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.

In comparison to the above-mentioned requirements, the following differences applied:

– Transactions costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interests were measured at the proportionate share of the acquiree's identifiable net assets.
– Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any additional acquired share of interest did not affect previously recognised goodwill.
– Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(i) Subsidiaries (Continued)

(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.

(ii) Transaction with non-controlling interest

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transaction with equity owner of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in revenue reserve within equity attributable to the equity holders of the Company.

(iii) 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 an 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(iii) Associates (Continued)

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, 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 functional currency of the Company is Singapore dollar. As the Group's operations are principally conducted in the PRC, the consolidated financial statements 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Currency translation (Continued)

(iii) Translation of the Group's 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.

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 cost 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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	24 to 41(*)	–
Leasehold buildings	5 to 20	10%
Plant and machinery	5 to 10	10%
Office equipment and fittings	3 to 5	10%
Motor vehicles	5	10%

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

The residual value, estimated useful life and depreciation method are reviewed, and adjusted as appropriate, at each reporting date periodically 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

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

Technical know-how was acquired separately and is amortised over the period of expected sale (5 years) on a straight line basis.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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.

Financial assets

(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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. As at the reporting date, the Group has no financial assets in the category of financial assets at fair value through profit or loss.

(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, including 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 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

(iii) Derecognition (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 25 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

(ii) Subsequent measurement (Continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Financial guarantees

The Company issued 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 equivalent comprises cash in 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 following 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. For local sales, transfer occurs upon receipt by the customer while for international shipments, transfer occurs upon loading the goods onto relevant carrier at the port. It is recorded net of returns, trade allowances and duties and taxes. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees' benefits

(i) Retirement benefits

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.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

(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, and are accounted for using the balance sheet liability method. 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 are subjected to VAT at the applicable tax rate of 17% for PRC domestic sales. 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 subject to VAT.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), 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 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), 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 assumption

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) Fair value measurement of contingent consideration on business combination

Contingent consideration included as other payable (non-current), resulting from business combination in 2011, is valued at fair value at the acquisition date as part of the consideration transferred for business combination. Where the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on most probable scenario of the discounted cash payment. The key assumptions take into consideration the volatility of the Company's share price, the estimated future dividend, the foreign exchange rate changes and the discount factor. The basis and sensitivity of estimates and the carrying amount of the contingent consideration on business combination that occurred as at 31 December 2015 is disclosed in Note 23 to the financial statements.

(b) 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 RMB9,139,000 and RMBNil (2014: RMB12,815,000 and RMB64,000) respectively that are available to carry forward. These losses relate to the Company and certain subsidiaries in Germany that have history of losses, 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 RMB2,285,000 (2014: RMB3,204,000) and RMBNil (2014: RMB11,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements (Continued)

(i) Critical accounting estimates and assumption (Continued)

(b) Income tax (Continued)

During the financial year, the Group has provided for deferred tax liabilities amounting to RMB9,079,000 (2014: RMB4,660,000) 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 RMB13,739,000 (2014: RMB4,660,000) 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. The amount of temporary differences (undistributed profits) not recognised as at 31 December 2015 was RMBNil (2014: RMB124,065,000).

(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.

Accumulated impairment loss recognised for plant and machinery, and office equipment and fittings as at 31 December 2015 stood at RMB3,546,000 and RMB2,679,000 respectively (2014: RMB3,546,000 and RMB2,679,000). Favourable or unfavourable changes to the profitability of the relevant cash-generating unit would result in changes in the impairment loss to be recognised in the next financial year.

Accumulated impairment loss recognised for investment in a subsidiary as at 31 December 2015 amounted to RMB51,107,000 (2014: RMB51,107,000).

The carrying amount of property, plant and equipment and investments in subsidiaries are disclosed in Notes 10 and 12 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements (Continued)

(i) Critical accounting estimates and assumption (Continued)

(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 development costs

Development costs are depreciated on a straight-line basis over the estimated economic useful lives of 5 years. These are common life expectancies applied in high security products where new technology will replace the existing development. As at 31 December 2015, 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 development costs at the reporting date is disclosed in Note 14 to the financial statements.

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

The following 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) 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 input of competitive forces of the country in which its customer 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 is not as prominent as that of costs.

(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 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 is further disclosed in Note 12 (ii) (b).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

3. SHARE CAPITAL

	Group and Company			
	2015		2014	
	Number of ordinary shares	RMB'000	Number of ordinary shares	RMB'000
At beginning and end of the financial year	356,536,000	168,067	356,536,000	168,067

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	
	2015	2014
	RMB'000	RMB'000
At 1 January	25,442	(43,027)
Profit for the financial year	14,156	86,205
Dividend paid (Note 35)	(24,376)	(17,736)
At 31 December	15,222	25,442

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

8. TRANSLATION DEFICIT

	Company 2015 RMB'000	Company 2014 RMB'000
At 1 January	(11,712)	(4,342)
Currency translation difference for the financial year	(2,051)	(7,370)
At 31 December	(13,763)	(11,712)

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 2014	2,213	114,936	131,068	27,571	8,512	17,496	301,796
Additions	5,400	4,842	17,836	1,460	800	22,681	53,019
Acquisition of a subsidiary (Note 12(ii))	17,497	63,132	–	–	–	335	80,964
Reclassified from/(to)	–	28,188	–	–	–	(28,188)	–
Disposals	–	–	(621)	(951)	(105)	(207)	(1,884)
Currency translation differences	(1,972)	(14,209)	(68)	(49)	–	(44)	(16,342)
At 31 December 2014	23,138	196,889	148,215	28,031	9,207	12,073	417,553
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
Accumulated depreciation and impairment loss							
At 1 January 2014	–	57,436	84,719	25,684	4,832	–	172,671
Charge for the financial year	–	6,386	7,957	710	1,107	–	16,160
Disposals	–	–	(522)	(860)	(94)	–	(1,476)
Currency translation differences	–	(6,178)	(15)	(26)	–	–	(6,219)
At 31 December 2014	–	57,644	92,139	25,508	5,845	–	181,136
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
Net carrying amount							
At 31 December 2015	22,610	131,456	57,771	5,262	3,303	24,860	245,262
At 31 December 2014	23,138	139,245	56,076	2,523	3,362	12,073	236,417

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

Assets pledged as security

The Group's freehold lands and buildings with carrying amount of RMB20,745,000 (2014: RMB21,178,000) and RMB3,790,000 (2014: RMB3,670,000) respectively are mortgaged to secure the Group's bank loan (Note 24).

The carrying amount of plant and machinery held under finance leases at the reporting date were RMB15,897,000 (2014: RMB12,176,000).

11. LAND USE RIGHTS

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Cost		
At 1 January	65,089	46,229
Additions	–	18,860
At 31 December	65,089	65,089
Accumulated amortisation		
At 1 January	4,021	3,011
Amortisation for the financial year	1,302	1,010
At 31 December	5,323	4,021
Net carrying amount	59,766	61,068
Amount to be amortised:		
– Not later than 1 year	1,302	1,010
– Later than 1 year but not later than 5 years	5,208	4,039
– Later than 5 years	53,256	56,019

The Group has land use rights over four plots (2014: four plots) of state-owned land in the PRC with the remaining amortisation periods as follows:

	Carrying amount		Remaining amortisation periods	
	2015	**2014**	**2015**	**2014**
	RMB'000	**RMB'000**	**Years**	**Years**
Land 1	8,943	9,147	45	46
Land 2	32,425	33,146	46	47
Land 3	12,863	13,174	49	50
Land 4	5,535	5,601	49	50

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

12. SUBSIDIARIES

	Company 2015 RMB'000	Company 2014 RMB'000
Unquoted equity shares, carried at cost		
At 1 January	28,925	30,039
Addition	1,533	–
Currency translation differences	(309)	(1,114)
At 31 December	30,149	28,925

(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 2015 %	Effective equity held by the Group 2014 %	Carrying amount of investment 2015 RMB'000	Carrying amount of investment 2014 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	19,720	19,944
Tri Star Semicon Pte. Ltd.[1]	Investment holding	Singapore	100	100	7,670	7,757
Format Tresorbau Beteiligungs-GmbH[2] ("Format")	Investment holding	Germany	100	100	1,210	1,224
Matrix Mechatronix Technology (Philippines) Corp[3][8]	Develop, manufacture, assemble, sell and undertake after-sales service for high security products	Philippines	100	–	1,549	–
					30,149	28,925

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), 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 2015 %	2014 %
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[6][7]	Design and manufacture of intelligent terminals and providing electro-mechanical solution to customers	Germany	100	100
Mechatronics Technology HK Limited[5] [8]	Investment holding	Hong Kong	100	–
Tristar B.V.[5] [8]	Investment holding	Netherlands	100	–

(1) Audited by Crowe Horwath First Trust LLP.

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

(3) Audited by Sycip Gorres Velayo & Co. ("SGV & Co."), a firm of Certified Public Accountants in Philippine for local statutory reporting.

(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 2015. 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 for local statutory reporting.

(7) The effective percentage of voting rights held by the Group is 90%, as disclosed in part (ii) (b) of this note.

(8) Incorporated during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

12. SUBSIDIARIES (Continued)

(ii) Acquisition of a subsidiary and non-controlling interests – Financial Year 2014

(a) Acquisition of a subsidiary

On 1 August 2014 (the "acquisition date"), the Group's subsidiary, Tri Star GmbH, obtained control of Deutsche Mechatronics GmbH ("DTMT"), a manufacturer as well as provider of drying solution for graphics and printing industries, intelligent terminals, visual quality control machines, and other sheet metal products by acquisition of 60% of shares and voting rights in DTMT. The Group has acquired DTMT in order to capitalise on its strength to expand the intelligent terminal sector. Having completed a debt restructuring exercise under German insolvency laws in 2013, DTMT has returned to a positive shareholders' equity position. With the acquisition by Tri Star GmbH, the capital injection, the shareholders' loan and other synergies with the Group would enable DTMT to improve its operating performance. Consequently, this acquisition was entered into with a bargain purchase, resulting in a gain of approximately RMB55,924,000 recognised in the previous financial year.

Consideration transferred for the acquisition of DTMT

	RMB'000
Consideration settled in cash[(i)]	*
Capital injection as at acquisition date[(ii)]	8,262
	8,262

* Less than RMB1,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

12. SUBSIDIARIES (Continued)

(ii) Acquisition of a subsidiary and non-controlling interests – Financial Year 2014 (Continued)

(a) Acquisition of a subsidiary (Continued)

Identifiable assets acquired and liabilities assumed:

	Note	Fair value recognised on acquisition date RMB'000
Investment in associates	13	6,659
Property, plant and equipment	10	80,964
Cash and bank balances		10,289
Trade receivables		10,420
Other receivables		2,557
Advances to suppliers		4,126
Inventories		65,843
Borrowings		(45,798)
Trade payables		(4,716)
Other payables and accruals		(31,628)
Identifiable net assets acquired		98,716
Capital injection as at acquisition date[ii]		8,262
Fair value of total identifiable net assets acquired		106,978
Non-controlling interest measured at the non-controlling interest proportionate share of DTMT's identifiable net assets (40%)		(42,792)
Bargain purchase arising from acquisition was as following:		
Total consideration transferred		8,262
Non-controlling interest		42,792
		51,054
Less: Total identifiable net assets acquired		(106,978)
Gain on bargain purchase included other income (Note 28)		(55,924)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

12. SUBSIDIARIES (Continued)

(ii) Acquisition of a subsidiary and non-controlling interests – Financial Year 2014 (Continued)

(a) Acquisition of a subsidiary (Continued)

Effect of the acquisition of DTMT on cash flows

	RMB'000
Total consideration transferred for 60% equity interest acquired	8,262
Less:	
Cash and cash equivalents of the subsidiary acquired (inclusive of capital injection as at acquisition date)	(18,551)
Net cash inflow on acquisition	(10,289)

Notes:

(i) Included in the consideration was an amount of EUR 2 (equivalent to RMB17) of cash consideration required by the sales and purchase agreement of the acquisition.

(ii) An amount of EUR999,998 (equivalent to RMB8,262,000) as cash paid to subsidiary as capital contribution required by the sales and purchase agreement of the acquisition.

Transaction costs

Transaction costs related to the acquisition of RMB1,616,000 (Note 31) have been recognised in the "Other expenses" in the Group's profit or loss for the year ended 31 December 2014.

Trade and other receivables acquired

Trade and other receivables acquired comprise of trade and other receivables with fair values of RMB10,420,000 and RMB2,557,000 respectively. Trade and other receivables as at acquisition date represent predominantly current amounts due from customers and other receivables.

Other fair value consideration

The fair value of property, plant and equipment were referenced to the valuation report done by an independent valuer and the value in use of the equipment. Full impairment was made on the equipment at acquisition date; as the equipment cannot generate future cash flow therefore the Company had decided to impair all equipment at the acquisition date.

The fair value of other assets and liabilities are approximately their carrying amount as acquisition date, as the nature of other assets and liabilities does not subject to significant changes or fluctuation in value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

12. SUBSIDIARIES (Continued)

(ii) Acquisition of a subsidiary and non-controlling interests – Financial Year 2014 (Continued)

(a) Acquisition of a subsidiary (Continued)

Impact of the acquisition on profit or loss

From the acquisition date to 31 December 2014, DTMT contributed revenue of RMB108,896,000 to the Group's results and RMB7,941,000 to the Group's loss for the previous financial period. If the business combination had taken place at the beginning of the previous financial year, the revenue of the Group would have been RMB1, 233,352,000 and the Group's profit for the previous financial year, net of tax would have been RMB126,232,000.

(b) Acquisition of non-controlling interest

On 31 October 2014, the Group acquired additional 30% equity interest in DTMT from its non-controlling interests for a cash consideration of EUR1,000,000 (equivalent to RMB7,737,000).

At the same time, the Group had also agreed with the non-controlling interests to acquire the remaining 10% equity interest in DTMT for a fixed consideration of EUR500,000 (equivalent to RMB3,869,000) 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 was recognised as redemption liability and included in "Other payables".

The following summarises the effect of changes in the Group's ownership interest in DTMT:

	RMB'000
Consideration paid for acquisition of non-controlling interests (30%)	7,737
Present value of redemption liability on the remaining 10% interest (Note 23)	2,459
	10,196
Decrease in equity attributable to non-controlling interests	(42,792)
Increase in equity attributable to equity holders of the Company	(32,596)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

13. ASSOCIATES

	Group	
	2015 RMB'000	2014 RMB'000
Unquoted equity shares, carried at cost		
At 1 January	6,616	–
Arising from acquisition of a subsidiary (Note12(ii)(a))	–	6,659
Share of post-acquisition profit	354	631
Currency translation differences	(2)	(674)
At 31 December	6,968	6,616

As of 31 December 2014 and 2015, Deutsche Mechatronics GmbH ("DTMT") holds 50% of the equity interests in DTMT China Holding GmbH, which in turn holds a 100% share in DTMT Hangzhou Co., Ltd., China. The investment is classified as associate as the operation of the investee is primarily managed by its sole director who owns the remaining 50% equity interests in DTMT China Holding GmbH.

Details of the associates (measured using equity method) 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	
			2015 %	2014 %	2015 RMB'000	2014 RMB'000
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%	4,036	3,684

(i) The entity is dormant and not subject to local statutory audit for the financial year ended 31 December 2015.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

13. ASSOCIATES (Continued)

The following table summarises the financial information of associates based on the consolidated financial statements prepared in accordance with FRS, and differences in the Group's accounting policies.

	2015 RMB'000	2014 RMB'000
Assets and liabilities		
Current assets	7,599	7,490
Non-current assets	10,161	10,873
Total assets	17,760	18,363
Total liabilities – current	(3,825)	(5,132)
Net assets	13,935	13,231
Carrying amount of investment in associates at 50% share	6,968	6,616

	2015 RMB'000	2014 RMB'000
Results		
Revenue	11,959	6,045
Net profit for the financial year/Total comprehensive income	704	1,262

14. INTANGIBLE ASSETS

Group	Technical know-how RMB'000	Development costs RMB'000	Total RMB'000
Cost			
At 1 January 2014/31 December 2014/31 December 2015	1,327	31,188	32,515
Accumulated amortisation			
At 1 January 2014	1,327	10,406	11,733
Amortisation for the financial year	–	5,284	5,284
At 31 December 2014	1,327	15,690	17,017
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
Net carrying amount			
At 31 December 2015	–	10,037	10,037
At 31 December 2014	–	15,498	15,498

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

14. INTANGIBLE ASSETS (Continued)

Technical know-how

Technical know-how represents payment made to a third party for transfer of technical know-how on safe business on 3 December 2007. The useful life of the technical know-how is estimated to be finite and is amortised over a period of 5 years, effective from 1 January 2008, pursuant to the technology transfer agreement. Technical know-how had been fully amortised since financial year 2012.

Development costs

Internally-generated development costs relate to certain product development in the high security segments. These development costs are estimated to be finite and are amortised over a period of 5 years. The amortisation expense is included in the "cost of sales" line item in profit or loss. The carrying amount and the remaining amortisation period of the individually material intangible assets are as follows:

	Carrying amount		Remaining amortisation periods	
	2015	2014	2015	2014
	RMB'000	RMB'000	Years	Years
New material	4,309	7,351	1.5	2.5
Certification	2,324	3,487	2	3
Safety	2,310	3,020	3	4

15. HELD-TO-MATURITY INVESTMENTS

	Group	
	2015	2014
	RMB'000	RMB'000
Bond 1	3,388	–
Bond 2	5,882	–
At 31 December	9,270	–

Bond 1

The USD denominated bond is listed in Singapore Stock Exchange which is issued by a company incorporated in Hong Kong and guaranteed by a company listed in 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 in Hong Kong Stock Exchange which is issued by a bank listed in 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 40 (iii).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

16. DEFERRED TAX

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
At 1 January	(4,934)	(3,576)
Recognised in the profit or loss (Note 33)	(9,731)	(1,358)
Currency translation differences	(70)	–
At 31 December	(14,735)	(4,934)
Presented after appropriate offsetting as follows:		
Deferred tax assets, net	2,283	–
Deferred tax liabilities, net	(17,018)	(4,934)
	(14,735)	(4,934)

The components and movement of deferred tax liabilities and assets 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	
	2015	**2014**	**2015**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Deferred tax assets/(liabilities)				
Net difference between net carrying amount of property, plant and equipment and intangible assets and their tax base	(3,959)	(2,100)	1,859	(746)
Deferred government grants	1,888	168	(1,720)	324
Allowances for doubtful debts and inventories obsolescence	192	747	555	(653)
Derivative financial instruments	–	544	544	(1,722)
Provision for withholding tax	(13,739)	(4,660)	9,079	4,660
Others	883	367	(586)	(505)
	(14,735)	(4,934)	9,731	1,358

During the financial year, the Group provided for deferred tax liabilities amounting to RMB9,079,000 (2014: RMB4,660,000) relating to the withholding taxes payable on the portion of undistributed profits of the PRC subsidiaries which is probable to be distributed within the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

17. INVENTORIES

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	75,379	91,752	–	–
Raw materials-in-transit	4,827	3,808	–	–
Work-in-progress	20,475	13,388	–	–
Finished goods	46,893	38,270	–	–
Finished goods-in-transit	4,210	6,435	3,701	–
	151,784	153,653	3,701	–

The inventories are stated after an allowance for inventories obsolescence, and the movement during the financial year are as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
At 1 January	9,038	5,250
Acquisition of a subsidiary	–	5,651
Additions during the financial year	623	–
Written-back for the financial year	–	(812)
Currency translation differences	(378)	(1,051)
At 31 December	9,283	9,038

The cost of inventories recognised as expenses in 'Cost of sales', amounted to RMB589,297,000 (2014: RMB615,855,000), which includes the amount recognised for write-down (2014: write-back) as stated above.

18. TRADE RECEIVABLES

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	196,170	163,780	3,049	2,413
Less: Allowance for impairment loss (Note 39(iii))	(206)	(259)	–	–
	195,964	163,521	3,049	2,413
Value-added tax receivables	262	1,207	–	–
	196,226	164,728	3,049	2,413

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Other receivables	1,277	4,055
Deposits	83	50
Prepayments*	3,794	1,045
	5,154	5,150

* Included in prepayments is an amount of RMB2,199,000 (2014: RMBNil) made for the additions to property, plant and equipment.

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

The non-trade balances are interest-free, unsecured and repayable on demand.

The amount due from subsidiaries included a dividend receivable from a subsidiary.

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.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
At 1 January, at cost	100,000	–
Additions	6,268	100,000
Redemption	(100,000)	–
Gain on fair value changes (Note 9)	6	–
Currency translation differences	271	–
At 31 December	6,545	100,000

In the previous financial year, 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 the previous financial year had matured during the financial year with a gain of RMB2,029,000 (2014: RMBNil) included in the finance income for the financial year (Note 30).

During the financial year, the Group acquired a USD denominated bond fund issued by Credit Suisee AG with a fair value of RMB6,545,000 as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

22. CASH AND BANK BALANCES

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Cash in hand	268	159	–	–
Cash at banks	225,466	46,417	31,717	7,413
Fixed deposits (Note A)	14,710	31,237	–	–
Cash and bank balances	240,444	77,813	31,717	7,413
Less: Pledged bank balances and fixed deposits (Note B)	(232)	(17,087)		
Cash and cash equivalents as stated in consolidated statement of cash flows	240,212	60,726		

As at 31 December 2015, the Group has cash and bank balances deposited with banks in the PRC, denominated in Chinese Renminbi ("RMB") amounting to approximately RMB19,256,000 (2014: RMB35,083,000). 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 had maturity periods ranging from 1 to 12 months (2014: 1 to 12 months). The fixed deposits bear interest ranging from 0.40% to 4.30% (2014: 2.30% to 4.40%) per annum.

Except for fixed deposits pledged, all fixed deposits with maturity dates of more than 3 months can be withdrawn anytime before the maturity dates without penalty. However, any interest receivable will be forfeited upon pre-mature withdrawal. As the principal value of the deposits is readily convertible to cash, they form part of the cash and cash equivalents in the consolidated statement of cash flows.

Note B

Bank balances of RMB232,000 (2014: Fixed deposits of RMB3,450,000) are pledged in connection with derivative financial instruments as disclosed in the Note 25 to the financial statements.

In the previous year, a fixed deposit of RMB13,637,000 was pledged for the loan obtained by the German subsidiary. The loan had been fully repaid as at 31 December 2014 and the pledge deposit had been subsequently released in January 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Current				
Advances from customers	3,835	4,613	–	–
Accrued expenses (Note A)	38,412	39,195	1,800	2,157
Other payables	39,242	21,788	–	–
Other taxes payable	1,567	6,124	–	–
	83,056	71,720	1,800	2,157
Non-current				
Other payables				
– Contingent consideration (Note B)	–	2,826	–	2,826
– Redemption liability (Note C)	2,565	2,459	–	–
	2,565	5,285	–	2,826

Note A

Included in accrued expenses, is (a) accrued salaries and bonus amounting to RMB36,212,000 (2014: RMB32,463,000) and RMB1,800,000 (2014: RMB1,531,000) of the Group and Company respectively and (b) contingent consideration of EUR300,000 (equivalent to RMB2,129,000) payable to the former shareholder of DTMT as DTMT has reached the profit threshold stipulated in the agreement entered into for the Group's acquisition of DTMT in 2014.

Note B

The movement of contingent consideration is as follows:

	Group and Company	
	2015 RMB'000	2014 RMB'000
At 1 January	2,826	21,326
Unwinding of discount	–	727
Fair value changes	(2,765)	(19,317)
Currency translation differences	(61)	90
At 31 December	–	2,826

In 2011, the Company acquired the entire share capital in Format Tresorbau Beteiligungs-GmbH and its subsidiaries ("Format Group"), a manufacturer of high security products in Europe, from a third party ("Vendor") satisfied by the following:

(i) Issuance of 28,536,000 new ordinary shares ("Consideration shares") in the capital of the Company, constituting 8% of the enlarged share capital of the Company, to be allotted and issued to the Vendor; and
(ii) Contingent cash consideration of RMB19,073,000 at the acquisition date.

A 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 (Euro5,000,000 ÷ 28,536,000 – net proceeds per share in Singapore dollar ÷ prevailing exchange rate)

The contingent consideration was classified as non-current liabilities as at 31 December 2014 and 2015

During the previous financial year, 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 pay-out is guaranteed by a director of the Company (2014: a director of the Company).

As a result of the increase in the Company's share price and changes on exchange rate, the fair value of the contingent consideration as at 31 December 2015 is reduced to RMBNil (2014: RMB2,826,000) and the fair value change of RMB2,765,000 (2014: RMB19,317,000) was recognised in profit or loss as other income (Note 28).

The Group has used the following assumptions in deriving the fair values.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

23. OTHER PAYABLES AND ACCRUALS (Continued)

Key assumptions used in the fair value estimation of the contingent consideration:

	2015	2014
Number of consideration shares held by the Vendor on Oct 2019 and sold by Vendor during the Validity Period	28,536,000	28,536,000
Discount rate	6.25%	6.25%
Share price on disposal of Consideration shares (SGD cents, historical 1- year average)	27.8	23.0
Total estimated dividend payment before March 2020 (SGD cents)	3	3
Exchange rate (SGD/EURO, 1 year forward contract rate)	1.58	1.71

The unwinding of discount on the contingent consideration of RMBNil (2014: RMB727,000) were recognised in profit or loss as finance expenses (Note 30).

Sensitivity to changes in assumptions

If the discount rate, share price or exchange rate adopted in the contingent consideration estimation deviate by 5%, the net profit for the financial year will increase/(decrease) by:

2015 Group and Company	**Effect of +5% change to profit and loss RMB'000**	**Effect of -5% change to profit and loss RMB'000**
Change in discount rate	–	–
Change in share price	–	(1,366)
Appreciation/depreciation of EURO against SGD	(1,398)	–

2014 Group and Company	**Effect of +5% change to profit and loss RMB'000**	**Effect of -5% change to profit and loss RMB'000**
Change in discount rate	42	(42)
Change in share price	1,074	(1,074)
Appreciation/depreciation of EURO against SGD	(1,448)	1,448

Note C

This represents to the present value of the fixed consideration for the acquisition of non-controlling interests of DTMT as disclosed in the Note 12(ii)(b) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

24. BORROWINGS

	Group	
	2015 RMB'000	2014 RMB'000
Due within one year		
Loans(i)	44,639	33,467
Finance lease obligations(ii)	2,200	1,982
	46,839	35,449
Due after one year less than five years		
Loans(i)	3,262	3,842
Finance lease obligations(ii)	3,062	3,200
	6,324	7,042
Due after five years		
Loans(i)	407	384
Finance lease obligation(ii)	1,373	–
	1,780	384
Total borrowings		
Loans(i)	48,308	37,693
Finance lease obligations(ii)	6,635	5,182
	54,943	42,875

(i) Loans

	Group	
	2015 RMB'000	2014 RMB'000
Due within one year		
Loans 1 (Unsecured)	6,516	–
Loans 2 (Secured)	815	768
Loans 3 (Secured)	28,187	32,699
Loans 4 (Secured)	4,923	–
Loans 5 (Secured)	4,198	–
	44,639	33,467
Due after one year less than five years		
Loans 2 (Secured)	3,262	3,842
Due after five years		
Loans 2 (Secured)	407	384
Total borrowings		
Loans 1 (Unsecured) – Floating rate	6,516	–
Loans 2 (Secured) – Fixed rate	4,484	4,994
Loans 3 (Secured) – Fixed rate	28,187	32,699
Loans 4 (Secured) – Floating rate	4,923	–
Loans 5 (Secured) – Fixed rate	4,198	–
	48,308	37,693

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

24. BORROWINGS (Continued)

(i) Loans (Continued)

Loan 1 (Unsecured)

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 materials. The loan bears interest at 3.00% plus Libor rate per annum and is repayable by 30 January 2016.

Loan 2 (Secured)

This loan is obtained by a US subsidiary from a US bank to finance the acquisition of a warehouse in US. The Company 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 (Note 10).

Loan 3 (Secured)

This loan is secured by the land of a German subsidiary, represents the existing loan of the German subsidiary acquired in the previous financial year. 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 2015 and 2014.

Loan 4 (Secured)

This 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 3-month-EURIBOR rate plus a margin of 150 basis points per annum and is repayable by 31 July 2016.

Loan 5 (Secured)

This 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 is repayable on demand. Accordingly, the loan is classified as a current liability as at 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

24. BORROWINGS (Continued)

(ii) Finance lease obligations

	Group	
	2015	2014
	RMB'000	RMB'000
Due within one year (current)		
Minimum lease payment	2,307	2,092
Interest	(107)	(110)
Present value of minimum lease payment	2,200	1,982
Due after one year less than five years (non-current)		
Minimum lease payment	3,207	3,613
Interest	(145)	(413)
Present value of minimum lease payment	3,062	3,200
Due after five years (non-current)		
Minimum lease payment	1,394	–
Interest	(21)	–
Present value of minimum lease payment	1,373	–
Finance lease obligations	6,635	5,182

Interest is payable at effective interest rate of 1.25% to 5.49% per annum and the finance lease obligation of the Group are effectively secured over plant and machinery (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 obligation.

25. DERIVATIVE FINANCIAL INSTRUMENTS

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

	Notional principal			
	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Forward currency contracts	–	692,663	–	97,904

	Derivative liabilities			
	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Forward currency contracts	–	(4,635)	–	(1,050)

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

25. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

No hedge accounting is applied on these forward currency contracts.

In the previous financial year, a fair value loss of RMB18,072,000 (Note 31) had been recognised in the profit or loss for the financial year on the open contracts. There is no open forward currency contract as at 31 December 2015.

A settlement gain of RMB6,215,000 (2014: RMB8,425,000) (Note 28) have been recognised in the profit or loss for the financial year on the closed contracts in the financial year.

Bank balances of RMB232,000 (2014: Fixed deposits of RMB3,450,000) are pledged in connection with derivative financial instruments (Note 22).

26. DEFERRED INCOME

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Government grant I	1,360	2,320
Government grant II	6,734	7,098
Government grant III	6,240	–
	14,334	9,418

The movement in the government grants is as follows:

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
At 1 January	9,418	10,560
Addition	6,240	–
Amortisation for the financial year	(1,324)	(1,142)
At 31 December	14,334	9,418

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 on 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.

(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

26. DEFERRED INCOME (Continued)

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 government 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 application 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. The remaining grant will be received upon completion of the construction which expected in 2016. The amount received will be amortised over the useful life of the building after the construction is completed.

27. REVENUE

	Group	
	2015	2014
	RMB'000	RMB'000
Sales of automated teller machines and commercial safe	821,346	859,576
Sales of electro-mechanical engineering equipment and modules precision engineering parts and other products	372,402	191,337
	1,193,748	1,050,913

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

28. OTHER INCOME

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Allowance for trade doubtful debts written back (Note 39(iii))	90	202
Amortisation of deferred government grant (Note 26)	1,324	1,142
Government grants (Note A)	3,543	6,221
Sales of raw materials	2,902	3,044
Sales of steel scrap	2,537	1,398
Settlement of forward contracts, net (Note 25)	6,215	8,425
Fair value changes on contingent consideration (Note 23)	2,765	19,317
Allowance for stock obsolescence written back (Note 17)	–	812
Gain on bargain purchase arising from acquisition (Note 12(ii))	–	55,924
Foreign exchange gain, net	6,404	605
Others	1,354	1,404
	27,134	98,494

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, to further following purposes without any conditions or contingencies attached and is not related to any assets of the Group.

Detail of government grants

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
R & D subsidy	–	1,470
Technology grant	1,207	3,206
Company growth incentives	1,439	1,228
Others	897	317
	3,543	6,221

29. PERSONNEL EXPENSES

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Wages, salaries and bonuses(i)	240,241	146,697
Other short-term employee benefits(ii)	12,671	12,492
Total short-term employee benefits	252,912	159,189
Defined contribution pension scheme(i)	37,298	18,286
	290,210	177,475

(i) Includes directors' remuneration as disclosed in Note 36.
(ii) Includes staff welfares, and union funds.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

30. FINANCE INCOME/(EXPENSES), NET

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Finance income		
Interest income		
– Available-for-sale financial assets	2,029	–
– Bank interest	3,004	3,990
– Held-to-maturity investments	140	–
Finance expenses		
Interest expenses on bank loans and finance leases	(2,858)	(1,660)
Unwiding discount on:		
– Redemption liability (Note 23)	(303)	–
– Contingent consideration (Note 23)	–	(727)
Finance income, net	2,012	1,603

31. OTHER EXPENSES

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Amortisation of land use rights (Note 11)	1,302	1,010
Fair value loss on derivative financial instruments (Note 25)	–	18,072
Loss on disposal of property, plant and equipment	722	346
Withholding tax on dividends from a PRC subsidiary	–	2,000
Acquisition cost relating to acquisition of a subsidiary (Note 12)	–	1,616
Contingent consideration (Note 23, Note A)	2,129	–
Others	865	61
	5,018	23,105

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

32. PROFIT BEFORE TAX

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

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Write back for advances to suppliers	–	(13)
Allowance for stock obsolescence written back (Note 17)	–	(812)
Auditors' remuneration		
– auditors of the Company	877	770
– other auditors	564	354
Non-audit fees paid to		
– auditors of the Company	292	226
Amortisation of intangible assets (Note 14)	5,461	5,284
Amortisation of land use rights (Note 11)	1,302	1,010
Depreciation of property, plant and equipment (Note 10)	19,400	16,160
Development costs	27,861	25,660
Directors' fees		
– directors of the Company (Note 36)	1,652	1,301
Directors' remuneration		
– directors of the Company (Note 36)	2,301	1,377
Operating lease expenses	7,333	5,291
Allowance for trade doubtful debts written back (Note 39(iii))	(90)	(202)
Allowance for stock obsolescence (Note 17)	623	–
Allowance for impairment loss on trade receivables (Note 39(iii))	47	–
Personnel expenses (Note 29)*	290,210	177,475

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

33. INCOME TAX

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Income tax		
– current financial year	23,433	17,459
– over provision in the previous financial years	(1,729)	(809)
Deferred tax		
– current financial year	10,181	1,358
– over provision in the previous financial year	(450)	–
	31,435	18,008

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

33. INCOME TAX (Continued)

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

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Profit before tax	149,435	162,836
Tax expenses based on PRC statutory tax rate of 25% (2014: 25%)	37,359	40,709
Tax concession in PRC	(12,219)	(7,178)
Differences in tax rates in Singapore/Germany/USA	(2,589)	(148)
Income not subject to tax	(3,574)	(22,036)
Expense not deductible	6,617	1,310
Current financial year tax losses carried forward not recognised as DTA	–	4,040
Utilisation of tax losses brought forward previously not recognised as DTA	(919)	(1,984)
Withholding tax on undistributed profits of the PRC subsidiaries	9,079	4,660
Over provision in the previous financial years	(2,179)	(809)
Others	(140)	(556)
Income tax expense	31,435	18,008

The Group has unused tax losses of RMB9,139,000 (2014: RMB12,815,000) with no expiry term for which 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 Germany.

The Company and Singapore subsidiaries

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

German subsidiaries

The subsidiaries are subjected to applicable tax rate of 13.65% and 31.06%.

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 2014 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 subsidiaries are subjected to applicable tax rate of 25%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

33. INCOME TAX (Continued)

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 2015.

Format USA Inc and Format USA LLC

The subsidiaries are subjected to applicable tax rate of 8.84%.

Matrix Mechatronix Technology (Philippines) Corp.

This subsidiary is subjected to applicable tax rate of 30%. It is dormant and has no taxable income for the period from the date of incorporation to 31 December 2015.

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 2015.

34. 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.

	2015	2014
Profit attributable to the equity holders of the Company (RMB'000)	118,000	144,828
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)	33.10	40.62

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

35. DIVIDENDS

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Declared and paid during the financial year:		
Dividends on ordinary shares:		
– Interim exempt (one-tier) dividend of S$0.015 (2014: S$0.01) per share	24,376	17,736

36. 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 parties are disclosed below.

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
(a) Transactions		
Purchase of raw materials from a related party[(i)]	661	962
Rental expenses paid to a related party[(i)]	3,735	3,735
(b) Compensation of key management personnel		
Short-term employee benefits[(ii)]	7,362	6,525
Defined contribution pension scheme	168	101
Comprise amounts paid/payable to:		
Directors of the Company	3,953	2,678
Other key management personnel	3,577	3,947

(i) Related party refers to a company in which a director of the Company has controlling financial interest in.
(ii) Includes director fees of RMB1,652,000 (2014: RMB1,301,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

37. 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	
	2015	**2014**
	RMB'000	**RMB'000**
Future minimum lease payments		
– not later than 1 year	7,856	6,541
– later than 1 year and not later than 5 years	14,892	11,366
	22,748	17,907

In addition, during the financial year, the Group's newly set up subsidiary in Philippines has 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	
	2015	**2014**
	RMB'000	**RMB'000**
Future minimum lease payments		
– not later than 1 year	197	–
– later than 1 year and not later than 5 years	788	–
– later than 5 years	10,528	–
	11,513	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

37. COMMITMENTS (Continued)

(ii) Future capital expenditure

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure contracted but not provided in the financial statements:				
– in respect of plant and machinery	1,355	113	–	–
– in respect building construction in progress	16,118	14,607	–	–
– in respect of acquisition of a new subsidiary (Note 41)	–	–	15,773	–
– in respect of acquisition of a technical know-how (Note 41)	–	–	1,774	–
	17,473	14,720	17,547	–
Capital expenditure approved but not contracted for provided in the financial statements:				
– in respect of a new research and development center	119,098	121,905	–	–

38. 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 and modules, precision engineering parts, semi-conductor instruments and other modules products.

The Business Solutions segment includes electro-mechanical equipment and semi-conductor instruments because they are similar in business nature which is to provide various business solutions to their customers and are managed by the Group's CEO (the chief operating decision maker) in combination. In addition, these two businesses are considered to be similar risks as they have similar economic growth rates.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

38. SEGMENT INFORMATION (Continued)

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.

2015	High Security RMB'000	Business Solutions RMB'000	Group 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

2015	High Security RMB'000	Business Solutions RMB'000	Group 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
Fair value gain on derivative financial instruments	4,552	61	4,613
Share of profits of associates	–	354	354

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

38. SEGMENT INFORMATION (Continued)

2014	High Security RMB'000	Business Solutions RMB'000	Group RMB'000
Revenue			
External sales	859,576	191,337	1,050,913
Segment results			
Profit from operations	103,913	63,505	167,418
Finance income, net			1,603
Unallocated expenses			(6,185)
Profit before tax			162,836
Income tax			(18,008)
Profit for the financial year			144,828
Segment assets			
Reportable segment assets	432,812	390,524	823,336
Unallocated assets			
– Cash and bank balances			6,459
– Property, plant and equipment			7,339
– Others			45
			837,179

2014	High Security RMB'000	Business Solutions RMB'000	Group RMB'000
Other segment items			
Amounts included in the measure of segment assets:			
Additions to property, plant and equipment	36,449	16,570	53,019
Additions of land use rights	18,860	–	18,860
Investment in associates	–	6,616	6,616
Amounts included in the measure of segment results:			
Depreciation of property, plant and equipment	13,503	2,657	16,160
Amortisation of intangible assets	5,284	–	5,284
Amortisation of land use rights	288	722	1,010
Amortisation of deferred government grants	960	182	1,142
Fair value gain on contingent consideration	19,317	–	19,317
Fair value loss on derivative financial instruments	17,537	535	18,072
Share of profits of associates	–	631	631
Gain on bargain purchase	–	55,924	55,924

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

38. SEGMENT INFORMATION (Continued)

Geographical segments

Geographical segments are analysed by five principal geographical areas, namely PRC, United States, Europe, Asia Pacific and Africa. In presenting information on the geographical segments, segment 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	United States RMB'000	Europe[i] RMB'000	Asia Pacific[ii] RMB'000	Africa RMB'000	Consolidated RMB'000
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
2014						
Revenue	393,198	253,293	299,506	104,397	519	1,050,913
Non-current assets	212,180	9,585	97,834	–	–	319,599

(i) Included in segment revenue in Europe, is an amount of RMB420,066,000 (2014: RMB242,615,000) derived from Germany.
(ii) Included in segment revenue in Asia Pacific, is amount of RMB62,242,000 and RMB39,845,000 derived from Japan and Australia respectively.

Major customers

Revenue of approximately RMB179,120,000 (2014: RMB137,156,000) of the Group's total revenue is derived from a single external customer based in United States, which is attributable to the "High security" segment.

Revenue of approximately RMB114,229,000 (2014: RMB157,680,000) of the Group's total revenue is derived from a multi-national company, which is attributable to the "High security" segment.

Revenue of approximately RMB126,260,000 (2014: RMB114,217,000) of the Group's total revenue is derived from another multi-national company, which is attributable to the "High security" segment.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

39. 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	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Held-to-maturity investments	9,270	–	–	–
Loans and receivables	899,845	578,009	143,515	161,788
Available-for-sale financial assets	6,545	100,000	–	–
Financial assets	915,660	678,009	143,515	161,788
Financial liabilities at amortised cost	670,935	521,091	5,724	5,040
Financial liabilities at fair value through profit or loss				
– held for trading (Note 25)	–	4,635	–	1,050
– designated at inception (Note 23B)	2,129	2,826	–	2,826
Financial liabilities	673,064	528,552	5,724	8,916

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign exchange risk, 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") and United States dollar ("USD"). As a result, movements in USD 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 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

39. 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. The Group does not utilise forward contracts or other arrangements for speculative purposes.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group As at 31 December 2014	**Singapore dollar RMB'000**	**United States dollar RMB'000**	**Chinese Renminbi RMB'000**	**Euro RMB'000**	**Total RMB'000**
Financial assets					
Trade receivables	–	69,903	59,410	35,415	164,728
Other receivables and deposits	–	32	2,008	2,065	4,105
Available-for-sale financial assets	–	–	100,000	–	100,000
Cash and bank balances	1,654	26,207	35,083	14,869	77,813
Intragroup receivables	259,192	4,339	54,201	13,631	331,363
	260,846	100,481	250,702	65,980	678,009
Financial liabilities					
Borrowings	–	4,994	–	37,881	42,875
Trade payables	–	5,081	63,134	14,754	82,969
Other payables and accruals	5,006	205	34,788	26,269	66,268
Derivative financial instruments	–	4,635	–	–	4,635
Due to a related party (trade)	–	–	442	–	442
Intragroup payables	259,192	4,339	54,201	13,631	331,363
	264,198	19,254	152,565	92,535	528,552
Net financial (liabilities)/assets	(3,352)	81,227	98,137	(26,555)	149,457
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(13,498)	(12,691)	(97,689)	38,258	(85,620)
	(16,850)	68,536	448	11,703	63,837
Less: Forward currency contracts	–	(692,663)	–	–	(692,663)
Net foreign currency exposure	(16,850)	(624,127)	448	11,703	(628,826)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

39. 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 currencies	(107,472)	–	–	(107,472)
Foreign currency exposure	–	30,241	78	30,319

Company As at 31 December 2014	Singapore dollar RMB'000	United States dollar RMB'000	Chinese Renminbi RMB'000	Total RMB'000
Financial assets				
Trade receivables	–	2,413	–	2,413
Due from subsidiaries	151,962	–	–	151,962
Cash and bank balances	1,638	5,329	446	7,413
	153,600	7,742	446	161,788
Financial liabilities				
Trade payables	–	2,883	–	2,883
Other payables and accruals	4,983	–	–	4,983
Derivative financial instruments	–	1,050	–	1,050
	4,983	3,933	–	8,916
Net financial assets	148,617	3,809	446	152,872
Less: Net financial assets denominated in the Company's functional currencies	(148,617)	–	–	(148,617)
	–	3,809	446	4,255
Less: Forward currency contracts	–	(98,250)	–	(98,250)
Foreign currency exposure	–	(94,441)	446	(93,995)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

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.

If the Chinese Renminbi strengthen by 10% (2014: 10%) against the relevant foreign currency, with all other variables held constant, the net profit for the financial year will increase/(decrease) by:

	Group Profit or loss RMB'000	Company Profit or loss RMB'000
2015		
SGD/RMB	(1,542)	–
USD/RMB	(17,923)	(2,268)
RMB/SGD	18	–
EURO/RMB	(3,178)	(6)
Others/RMB	85	–
2014		
SGD/RMB	1,264	–
USD/RMB	46,810	7,083
RMB/SGD	(34)	(33)
EURO/RMB	(878)	–

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 2015, the Group has outstanding balance of RMBNil (2014: RMB692,663,000 with settlement dates ranging from 9 to 12 months) as disclosed in Note 25.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

39. 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 2015, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

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

		Group	
	Note	**2015**	**2014**
		RMB'000	**RMB'000**
Fixed rate instruments			
Financial assets			
– Fixed deposits	22	14,710	31,237
– Held-to-maturity investments	15	9,270	–
Financial liabilities – borrowings	24	(43,504)	(42,875)
		(19,524)	(11,638)
Variable rate instruments			
Financial liabilities – borrowings	24	(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 net profit for the financial year ended 31 December 2015 were RMB86,000 (2014: Nil) attributable to the Group's exposure to interest rates on its variable rates borrowings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

39. 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
2015					
Non-derivative instruments					
Borrowings[(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	81,202
Due to a related party (trade)	429	–	–	429	429
	203,310	10,040	1,737	215,087	212,508
2014					
Non-derivative instruments					
Borrowings[(i)]	33,467	8,078	773	42,318	37,693
Finance lease obligations	2,092	3,613	–	5,705	5,182
Trade payables	82,969	–	–	82,969	82,969
Other payables and accruals	60,983	3,869	3,864	68,716	68,716
Due to a related party (trade)	442	–	–	442	442
	179,953	15,560	4,637	200,150	195,002

(i) Included in the borrowings are loan 3 and loan 5 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 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (Continued)

Maturity profile of borrowings based on instalments 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
2015	15,927	20,554	14,133	50,614	48,308
2014	5,277	21,876	15,165	42,318	37,693

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
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 24(i))(i)	14,115	–	–	14,115	13,606
	19,839	–	–	19,839	19,330
2014					
Non-derivative instruments					
Trade payables	2,883	–	–	2,883	2,883
Other payables and accruals	2,157	–	3,864	6,021	6,021
Guarantees for subsidiaries' borrowings (Note 24(i))(i)	5,976	–	–	5,976	4,994
	11,016	–	3,864	14,880	13,898

(i) The maximum amount of the guarantees is allocated to the earliest period in which the guarantee could be called.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk

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

Exposure to credit risk

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.

Held-to-maturity investments, available-for-sale financial assets, fixed deposits, cash and bank balances are placed with reputable financial institutions in Singapore and PRC. 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 60 days (2014: 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 (2014: 3 debtors) that individually represented 11% to 16% (2014: 7% to 31%) 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	
	2015	**2014**
	RMB'000	**RMB'000**
By geographical location of the customers:		
– People's Republic of China	66,804	95,930
– Asia Pacific	23,967	2,272
– Europe	52,695	34,989
– United States	52,498	30,330
	195,964	163,521

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Exposure to credit risk (Continued)

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

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Not past due and not impaired	98,892	138,938
Past due but not impaired		
– Past due 0 to 3 months	90,011	24,243
– Past due over 3 months	7,061	340
	97,072	24,583
Impaired trade receivables	206	259
Less: Allowance for impairment loss (Note 18)	(206)	(259)
Net trade receivables	195,964	163,521

The movement in allowance for impairment loss is as follows:

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Balance at beginning of the financial year	259	490
Addition during the financial year	47	–
Written-back during the financial year	(90)	(202)
Currency translation differences	(10)	(29)
Balance at end of the financial year (Note 18)	206	259

Trade receivables that are neither past due nor impaired are credit worthy debtors with good payment records with the Group.

The trade receivable balances arise mainly due to the acquisition of a subsidiary, DTMT in previous financial year. Included in the trade receivable balances are debtors with total carrying amount of approximately RMB97,072,000 (2014: RMB24,583,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

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 24, 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 2014.

40. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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 2015:

	Group			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
2015				
Financial asset				
Available-for-sale financial assets	–	6,545	–	6,545
Financial liabilities				
Contingent consideration (current)	–	(2,129)	–	(2,129)
Contingent consideration (non-current)	–	–	–	–
At 31 December 2015	–	(2,129)	–	(2,129)
2014				
Financial liabilities				
Derivatives financial instruments				
– forward currency contracts	–	(4,635)	–	(4,635)
Contingent consideration (non-current)	–	(2,826)	–	(2,826)
At 31 December 2014	–	(7,461)	–	(7,461)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

40. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

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

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)

There have been no transfers between Level 1 and Level 2 during the financial years ended 31 December 2014 and 2015.

Determination of fair value

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

Fair value is determined by direct reference to their quoted bid price at the reporting date based on valuations provided by the financial institution.

Contingent consideration (Note 23):

In the previous financial year, the fair value of the contingent consideration was computed based on quoted average share price and exchange rate, and was discounted to present value.

Forward currency contracts (Note 25):

In the previous financial year, the fair value of forward currency contracts were based on valuations provided by the financial institutions that were the counterparties to the transactions. The inputs to the valuation techniques included the foreign exchange spot and forward rates.

(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 and payables, amounts due from subsidiaries/to a related party, and borrowings are reasonable approximation of fair values due to the relatively short-term maturity of these financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

40. 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 (Continued)

The available-for-sale financial asset for the previous financial year carried at cost was a floating rate instrument which that was re-priced to market interest rate on or near the reporting date. In consideration of the short maturity periods & the low risk profile of the investment, the management was of view that the carrying amount represents reasonable approximately of its fair value.

The carrying amount of the contigent consideration is reasonable approximation of its fair value as it is expected to pay within next 12 month.

(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			
	2015		2014	
	RMB'000	RMB'000	RMB'000	RMB'000
	Carrying value	Fair value	Carrying value	Fair value
Held-to-maturity investments	9,270	9,227	–	–
Borrowings – Fixed rates	32,672	33,379	37,693	38,504

The fair value of held-to-maturity investments is based on the quoted market prices (current bid price) at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price. The fair value hierarchy is Level 1.

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

41. EVENT OCCURRING AFTER THE REPORTING PERIOD

On 22 December 2015, the Company entered into an agreement ("Agreement") with a Germany unrelated company ("the vendor") to acquire 100% shareholding interests in Krauth Technology GmbH ("Krauth"). Krauth, which is also incorporated in Germany, is an established developer and producer of solution products such as Auto-ticketing machines and money changers, which can synergise with business solutions segment of the Group. The unaudited net tangible assets of Krauth as at 31 December 2015 was EUR2,719,000 (equivalent to RMB19,292,000).

The total purchase consideration is a cash consideration of EUR200,000 (equivalent to RMB1,419,000) and a repayment of shareholder's loan of EUR2,023,000 (equivalent to RMB14,354,000) from the vendor to Krauth. The Company also agreed to purchase a separate product know-how from the vendor for EUR250,000 (equivalent to RMB1,774,000).

The acquisition of the subsidiary was completed on 6 January 2016. The management is engaging an external expert to perform the purchase price allocation exercise to determine the fair values of identifiable assets and liabilities acquired. The purchase price allocation exercise has not been completed at the date of this report and is expected to be completed within the next financial year. As such, the impact of the acquisition accounting in accordance with FRS 103 Business combinations, including the fair value of identifiable assets and liabilities acquired, any goodwill or negative goodwill etc, are not available for disclosure in this year's financial statements.

SHAREHOLDERS' INFORMATION

AS AT 14 MARCH 2016

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	0	0.00	0	0.00
100 – 1,000	89	14.24	85,571	0.02
1,001 – 10,000	248	39.68	1,292,836	0.36
10,001 – 1,000,000	264	42.24	24,651,193	6.92
1,000,001 & ABOVE	24	3.84	330,506,400	92.70
TOTAL	**625**	**100.00**	**356,536,000**	**100.00**

TOP TWENTY SHAREHOLDERS AS AT 14 MARCH 2016

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	23,250,000	6.52
SHI YI	9,229,000	2.59
DANIEL TAN POON KUAN	8,748,702	2.45
OCBC SECURITIES PRIVATE LTD	8,590,000	2.41
DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	5,306,000	1.49
KO WOON HONG	4,554,000	1.28
UOB KAY HIAN PTE LTD	4,355,600	1.22
KIM SENG HOLDINGS PTE LTD	3,988,577	1.12
CHEN WENKUN	3,264,000	0.92
LIU WENYING	3,000,000	0.84
PEH KWEE YONG	2,950,000	0.83
CITIBANK NOMINEES S'PORE PTE LTD	2,460,600	0.69
LIM TIONG KHENG STEVEN	2,334,000	0.65
PHILLIP SECURITIES PTE LTD	2,028,700	0.57
DB NOMINEES (S) PTE LTD	2,010,000	0.56
CHUA YUE PENG	1,462,000	0.41
TEO YONG PING (ZHANG RONGBIN)	1,213,400	0.34
	326,002,399	**91.44**

SHAREHOLDERS' INFORMATION

AS AT 14 MARCH 2016

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders as per Register of Substantial Shareholders as at 14 March 2016

	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	–	–
Robert Alexander Stone	23,250,000	6.52	–	–
Dr. Johnny Liu Jiayan[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 Jiayan'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 14 March 2016, 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 323, Suntec Singapore, Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Wednesday, 27 April 2016 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 2015 together with the Auditors' 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. Chen Zhaohui, George [See Explanatory Note (i)] **(Resolution 2)**

Mr. Graham Macdonald Bell [See Explanatory Note (ii)] **(Resolution 3)**

3. To re-appoint Mr. Tang See Chim as a Director of the Company. [See Explanatory Note (iii)]

(Resolution 4)

4. To approve the payment of Directors' fees of S$360,000 for the year ending 31 December 2016 to be paid quarterly in arrears.

(Resolution 5)

5. 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 6)

6. 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:

7. **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 (iv)] **(Resolution 7)**

8. **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 (v)] **(Resolution 8)**

By Order of the Board

Lee Tiong Hock
Company Secretary
Singapore, 12 April 2016

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr. Chen Zhaohui, George will, upon re-election as a Director of the Company, remain as a member of the Audit Committee, member of the Nominating Committee, Chairman of the Remuneration Committee and will be considered independent. Detailed information on Mr. Chen Zhaohui, George 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. Chen Zhaohui, George and the other directors or the Company.

(ii) Mr. Graham Macdonald Bell will, upon re-election as a Director of the Company, remain as a member of the Audit Committee, Chairman of the Nominating Committee, member of the Remuneration Committee and will be considered independent. Detailed information on Mr. Graham Macdonald Bell can be found under the section entitled "Directors' Profile" in page 6 of the Annual Report. There are no material relationships (including immediate family relationships) between Mr. Graham Macdonald Bell and the other directors or the Company.

(iii) Mr. Tang See Chim will, upon re-appointment as a Director of the Company, remain as Chairman of the Audit Committee, member of the Remuneration Committee and the Nominating Committee and will be considered independent. Detailed information on Mr. Tang See Chim can be found under the section entitled "Directors' Profile" in page 6 of the Annual Report. There are no material relationships (including immediate family relationships) between Mr. Tang See Chim and the other directors or the Company.

(iv) The Ordinary Resolution (7) in item (7) 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.

(v) The Ordinary Resolution (8) in item (8) 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.

This page has been intentionally left blank

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 323, Suntec Singapore, Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Wednesday, 27 April 2016 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:**	**No. of Votes For***	**No. of Votes Against***
1	Directors' Statement and Audited Financial Statements for the year ended 31 December 2015		
2	Re-election of Mr Chen Zhaohui, George as a Director		
3	Re-election of Mr Graham Macdonald Bell as a Director		
4	Re-appointment of Mr Tang See Chim as a Director		
5	Approval of Directors' fees amounting to S$360,000 for the year ending 31 December 2016 to be paid quarterly in arrears		
6	Re-appointment of Crowe Horwath First Trust LLP as Auditor		
7	Authority to issue new shares		
8	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 ________________ 2016

Total number of Shares held 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 entitled to attend the meeting and vote 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 12 April 2016.

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.

This page has been intentionally left blank

This page has been intentionally left blank

CORPORATE INFORMATION

BOARD OF DIRECTORS
Dr. Johnny Liu Jiayan
(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
Alfred Cheong Keng Chuan
(Appointed with effect from financial year 2014)

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