

## UNAUDITED FINANCIAL STATEMENTS FOR THE 2ND QUARTER ENDED 30 JUNE 2019

## PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF 2ND QUARTER RESULTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	2nd Quarter	2nd Quarter	Change	6 Months	6 Months	Change
	ended	ended		ended	ended	
	30/06/2019	30/06/2018		30/06/2019	30/06/2018	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
		(Restated)			(Restated)	
Revenue	496,878	456,995	8.7	894,216	879,139	1.7
Cost of sales	(375,243)	(349,452)	7.4	(670,360)	(656,721)	2.1
<b>Gross Profit</b>	<b>121,635</b>	<b>107,543</b>	<b>13.1</b>	<b>223,856</b>	<b>222,418</b>	<b>0.6</b>
Selling and distribution expenses	(31,390)	(25,156)	24.8	(50,438)	(44,887)	12.4
Administrative expenses	(47,214)	(46,470)	1.6	(96,458)	(101,874)	(5.3)
Research and development expenses	(20,704)	(20,641)	0.3	(37,254)	(39,435)	(5.5)
<b>Profit from Operations</b>	<b>22,327</b>	<b>15,276</b>	<b>46.2</b>	<b>39,706</b>	<b>36,222</b>	<b>9.6</b>
Financial expenses, net	(2,223)	(2,169)	2.5	(4,084)	(3,918)	4.2
Share of results from associates	230	430	(46.5)	614	793	(22.6)
Other income	16,047	6,580	143.9	11,181	5,728	95.2
Other expenses	(428)	(3,173)	(86.5)	(594)	(6,970)	(91.5)
Impairment losses of financial assets	(1,403)	(1,321)	6.2	(226)	(3,110)	(92.7)
<b>Profit Before Tax</b>	<b>34,550</b>	<b>15,623</b>	<b>121.1</b>	<b>46,597</b>	<b>28,745</b>	<b>62.1</b>
Income tax	(13,836)	(1,780)	677.3	(17,109)	(3,531)	384.5
<b>Net Profit After Tax</b>	<b>20,714</b>	<b>13,843</b>	<b>49.6</b>	<b>29,488</b>	<b>25,214</b>	<b>17.0</b>
<b>Other Comprehensive Income/(Loss)</b>						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Currency translation differences arising from consolidation	11,945	8,432	41.7	(1,156)	(437)	164.5
Financial assets, at FVOCI (debt securities)						
– Changes of fair value	120	(410)	n.m.	614	(668)	n.m.
– Reclassification upon realisation of investment	446	-	n.m.	446	-	n.m.
Other Comprehensive Income/(loss) for the period	12,511	8,022	56.0	(96)	(1,105)	(91.3)
<b>Total Comprehensive Income for the period</b>	<b>33,225</b>	<b>21,865</b>	<b>52.0</b>	<b>29,392</b>	<b>24,109</b>	<b>21.9</b>

n.m.: not meaningful.

**1(a)(ii) Profit before tax is determined after crediting/(charging) the following:**

**(A) Other Income**

	2nd Quarter ended 30/06/2019 RMB'000	2nd Quarter ended 30/06/2018 RMB'000	Change %	6 Months ended 30/06/2019 RMB'000	6 Months ended 30/06/2018 RMB'000	Change %
Net gain/(loss) on sales of raw materials	167	(45)	n.m.	2,618	275	852.0
Sales of steel scrap	562	767	(26.7)	1,434	1,601	(10.4)
Foreign exchange gain, net	12,223	4,012	204.7	147	-	n.m.
Amortisation of deferred government grant	171	91	87.9	343	182	88.5
Government grants	2,715	406	568.7	5,018	764	556.8
Reversal of long term unclaimed payable	-	412	(100.0)	-	1,036	(100.0)
Fair value gain on derivative financial instruments	20	-	n.m.	20	-	n.m.
Others	189	937	(79.8)	1,601	1,870	(14.4)
	16,047	6,580	143.9	11,181	5,728	95.2

**(B) Other Expenses**

	2nd Quarter ended 30/06/2019 RMB'000	2nd Quarter ended 30/06/2018 RMB'000 (Restated)	Change %	6 Months ended 30/06/2019 RMB'000	6 Months ended 30/06/2018 RMB'000 (Restated)	Change %
Foreign exchange loss, net	-	-	0.0	-	(3,722)	(100.0)
Fair value loss on derivative financial instruments	-	(3,112)	(100.0)	-	(3,140)	(100.0)
Loss on disposal of financial assets, at FVOCI	(391)	-	n.m.	(391)	-	n.m.
Others	(37)	(61)	(39.3)	(203)	(108)	88.0
	(428)	(3,173)	(86.5)	(594)	(6,970)	(91.5)

With effect from Q1 2019, the Group has reclassified the amortisation of land use rights previously presented under "other expenses" to "cost of sales" as the Group is of the view that such reclassification better reflects the substance of the transactions. Accordingly, the prior period comparatives have been restated to conform to such presentation.

**(C) Financial Expenses, net**

	2nd Quarter ended 30/06/2019 RMB'000	2nd Quarter ended 30/06/2018 RMB'000	Change %	6 Months ended 30/06/2019 RMB'000	6 Months ended 30/06/2018 RMB'000	Change %
Interest income	547	182	200.5	1,347	690	95.2
Interest expenses	(2,245)	(1,829)	22.7	(4,378)	(3,555)	23.2
Net interest on net defined benefit liability	(525)	(522)	0.6	(1,053)	(1,053)	-
	(2,223)	(2,169)	2.5	(4,084)	(3,918)	4.2

**(D) Depreciation and Amortisation**

	2nd Quarter ended	2nd Quarter ended		6 Months ended	6 Months ended	
	30/06/2019	30/06/2018	Change	30/06/2019	30/06/2018	Change
	<u>RMB'000</u>	<u>RMB'000</u>	%	<u>RMB'000</u>	<u>RMB'000</u>	%
Depreciation on property, plant and equipment	10,006	8,269	21.0	18,674	16,348	14.2
Amortisation of land use rights	338	338	-	675	675	-
Amortisation of intangible assets	4,276	4,171	2.5	8,742	8,345	4.8
Depreciation of right-of-use assets	<u>6,268</u>	<u>-</u>	n.m.	<u>6,268</u>	<u>-</u>	n.m.
	20,888	12,778	63.5	34,359	25,368	35.4

The increase in depreciation and amortisation expenses in Q2 2019 and 1H 2019 was largely due to depreciation accounted on the right-of-use assets following the adoption of SFRS(I) 16 Leases on 1 January 2019 as well as additions of property, plant and equipment at our German operations.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group			Company		
	As At	As At	Change	As At	As At	Change
	30/06/2019	31/12/2018		30/06/2019	31/12/2018	
RMB'000	RMB'000	%	RMB'000	RMB'000	%	
	Unaudited	Audited		Unaudited	Audited	
<b>Assets</b>						
<b>Non-current Assets</b>						
Intangible assets	65,570	66,238	(1.0)	-	-	-
Investment in subsidiaries	-	-	-	269,567	269,403	0.1
Investment in associates	8,889	8,275	7.4	-	-	-
Land use rights	57,475	58,150	(1.2)	-	-	-
Property, plant and equipment	331,201	327,191	1.2	-	-	-
Right-of-use assets	36,335	-	n.m.	-	-	-
Deferred tax assets	25,099	24,947	0.6	-	-	-
<b>Total Non-current Assets</b>	<b>524,569</b>	<b>484,801</b>	<b>8.2</b>	<b>269,567</b>	<b>269,403</b>	<b>0.1</b>
<b>Current Assets</b>						
Cash and bank balances	284,992	335,281	(15.0)	42,863	66,542	(35.6)
Financial assets, at FVOCI	17,243	16,480	4.6	-	-	-
Trade receivables	274,328	220,097	24.6	7,196	6,118	17.6
Advances to suppliers	18,532	21,103	(12.2)	-	-	-
Other receivables, deposits and prepayments	14,141	14,843	(4.7)	-	-	-
Due from a related party (trade)	-	680	(100.0)	-	-	-
Due from subsidiaries (non-trade)	-	-	-	76,699	41,336	85.6
Derivative financial instruments	20	-	n.m.	-	-	-
Contract assets	24,621	39,169	(37.1)	-	-	-
Inventories	465,925	412,257	13.0	-	-	-
<b>Total Current Assets</b>	<b>1,099,802</b>	<b>1,059,910</b>	<b>3.8</b>	<b>126,758</b>	<b>113,996</b>	<b>11.2</b>
<b>Total Assets</b>	<b>1,624,371</b>	<b>1,544,711</b>	<b>5.2</b>	<b>396,325</b>	<b>383,399</b>	<b>3.4</b>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Borrowings	157,683	153,500	2.7	-	-	-
Trade payables	139,236	127,294	9.4	1,475	161	816.1
Other payables and accruals	102,181	107,153	(4.6)	15,653	15,131	3.4
Due to related parties (trade & non-trade)	1,340	9,313	(85.6)	-	9,069	(100.0)
Provision for income tax	8,742	4,069	114.8	1,237	1,545	(19.9)
Contract liabilities	88,281	74,425	18.6	23	-	n.m.
Due to subsidiaries (trade)	-	-	-	94,651	74,213	27.5
<b>Total Current Liabilities</b>	<b>497,463</b>	<b>475,754</b>	<b>4.6</b>	<b>113,039</b>	<b>100,119</b>	<b>12.9</b>
<b>Non-current Liabilities</b>						
Long-term borrowings	53,785	27,123	98.3	-	-	-
Pension liability	80,970	80,949	0.0	-	-	-
Deferred income	11,555	11,898	(2.9)	-	-	-
Deferred tax liabilities	26,651	24,432	9.1	-	-	-
<b>Total Non-current Liabilities</b>	<b>172,961</b>	<b>144,402</b>	<b>19.8</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>670,424</b>	<b>620,156</b>	<b>8.1</b>	<b>113,039</b>	<b>100,119</b>	<b>12.9</b>
<b>Net Assets</b>	<b>953,947</b>	<b>924,555</b>	<b>3.2</b>	<b>283,286</b>	<b>283,280</b>	<b>0.0</b>
<b>Equity</b>						
<b>Capital and reserves attributable to the equity holders of the Company</b>						
Share capital	154,623	154,623	-	154,623	154,623	-
Capital reserve	33,056	33,056	-	-	-	-
Revenue reserve	688,089	658,601	4.5	116,895	117,069	(0.1)
Statutory reserve	62,393	62,393	-	-	-	-
Translation reserve	28,439	29,595	(3.9)	11,768	11,588	1.6
Fair value reserve	376	(684)	n.m.	-	-	-
Merger deficit	(13,029)	(13,029)	-	-	-	-
<b>Total Equity</b>	<b>953,947</b>	<b>924,555</b>	<b>3.2</b>	<b>283,286</b>	<b>283,280</b>	<b>0.0</b>

**(b)(ii) Aggregate amount of group's borrowings and debt securities.**

**The Group's borrowings refer to aggregate borrowings from banks, financial institutions, and lease liabilities.**

	Group		Group	
	As at 30 June 2019		As at 31 December 2018	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings				
Amount repayable in one year	69,183	88,500	76,044	77,456
Amount repayable above one year	53,785	-	27,123	-
Total	122,968	88,500	103,167	77,456

**Details of any collateral**

As at 30 June 2019, borrowings comprised:

- (1) A mortgage loan of USD0.3 million (equivalent to RMB1.7 million) was obtained by a USA subsidiary of the Company from East West Bank to finance the acquisition of a warehouse in USA. The Company provided corporate guarantee for the loan.
- (2) A loan of EUR0.5 million (equivalent to RMB3.6 million) was obtained by Format Tresorbau GmbH & Co. KG to finance the purchase of machine. The loan was secured by the machine itself. In addition, it has outstanding lease liabilities of EUR0.2 million (equivalent to RMB1.3 million).
- (3) A loan of EUR2.0 million (equivalent to RMB15.6 million) was obtained by Format Tresorbau GmbH & Co. KG to finance the construction of warehouse. The Company provided corporate guarantee for the loan.
- (4) DTMT has an outstanding loan of EUR0.5 million (equivalent to RMB4.0 million). The Company provided corporate guarantee for the loan.
- (5) DTMT has an outstanding loan of EUR2.5 million (equivalent to RMB19.4 million), secured by the land of DTMT from a German commercial bank. In addition, DTMT has outstanding lease liabilities of EUR2.1 million (equivalent to RMB16.6 million).
- (6) Krauth Technology GmbH ("Krauth") has an outstanding loan of EUR0.6 million (equivalent to RMB4.5 million) to finance the acquisition of freehold land and building. In addition, Krauth has outstanding lease liabilities of EUR0.2 million (equivalent to RMB1.8 million).
- (7) Metric Group Limited has an outstanding loan of GBP2.4 million (equivalent to RMB20.5 million) to finance the working capital. The Company provided pledged bank balance for the loan. In addition, it has outstanding lease liabilities of GBP0.5 million (equivalent to RMB3.6 million).
- (8) Almex GmbH ("Almex") has outstanding lease liabilities of EUR0.08 million (equivalent to RMB0.7 million).
- (9) The Group's sales are mainly transacted in USD, while the major purchases are transacted in RMB. For the purpose of operating activities, a loan of RMB88.5 million was obtained by a PRC subsidiary of the Company from Chinese bank to finance the daily payment to suppliers. In addition, PRC subsidiaries have outstanding lease liabilities of RMB18.1 million.
- (10) Southeast Asia subsidiaries have outstanding lease liabilities of RMB11.6 million.
- (11) Lease liabilities are accrued on the respective right-of-use assets.

1(c) **A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**GROUP CASH FLOW STATEMENT**

	2nd Quarter ended 30/06/2019 RMB'000	2nd Quarter ended 30/06/2018 RMB'000 Restated	6 Months ended 30/06/2019 RMB'000	6 Months ended 30/06/2018 RMB'000 Restated
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Profit before tax	34,550	15,623	46,597	28,745
Adjustments:				
Amortisation of land use rights	338	338	675	675
Amortisation of intangible assets	4,276	4,171	8,742	8,345
Amortisation of deferred government grant	(171)	(91)	(343)	(182)
Depreciation of property, plant and equipment	10,006	8,269	18,674	16,348
Depreciation of right-of-use assets	6,268	-	6,268	-
Loss on disposal of financial assets, at FVOCI	391	-	391	-
Fair value (gain)/loss on forward contract	(20)	3,112	(20)	3,140
Interest expenses	2,770	2,351	5,431	4,608
Interest income	(547)	(182)	(1,347)	(690)
Share of profits from associates	(230)	(430)	(614)	(793)
(Gain)/Loss on foreign exchange	(4,802)	(166)	(2,657)	2,039
Reversal of long unclaimed accrued purchases	-	(412)	-	(1,036)
<b>Operating profit before working capital changes</b>	<b>52,829</b>	<b>32,583</b>	<b>81,797</b>	<b>61,199</b>
Contract assets	10,879	(174)	14,065	(3,786)
Trade receivables	(45,888)	(21,061)	(57,732)	21,595
Other receivables, deposits and prepayments	819	(1,427)	690	(3,652)
Advances to suppliers	5,254	7,096	2,311	7,714
Inventories	(54,012)	(28,106)	(53,884)	(53,403)
Contract liabilities	7,740	(245)	14,324	(4,071)
Trade payables	23,667	(961)	12,633	(20,670)
Other payables and accruals	6,607	9,078	(4,432)	(15,317)
Due from a related party (trade)	-	(491)	680	(491)
Due to related parties (trade & non-trade)	168	-	(7,973)	-
Pension liability	-	(228)	-	-
<b>Cash generated from/(used in) operations</b>	<b>8,063</b>	<b>(3,936)</b>	<b>2,479</b>	<b>(10,882)</b>
Income tax paid	(5,963)	(2,450)	(10,202)	(8,358)
<b>Net cash from/(used in) operating activities</b>	<b>2,100</b>	<b>(6,386)</b>	<b>(7,723)</b>	<b>(19,240)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Purchase of property, plant and equipment	(11,452)	(10,126)	(23,933)	(21,306)
Addition of Intangible assets	(4,009)	(3,392)	(8,051)	(7,367)
Proceed from disposal of property, plant and equipment	34	437	407	437
Interest received	547	182	1,347	690
Proceed from disposal of financial assets, at FVOCI	6,128	-	6,128	-
Purchase of financial assets, at FVOCI	(6,589)	-	(6,589)	-
<b>Net cash used in investing activities</b>	<b>(15,341)</b>	<b>(12,899)</b>	<b>(30,691)</b>	<b>(27,546)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>				
Proceeds from bank borrowings	11,318	44,401	107,625	105,901
Repayment of loans	(10,087)	(48,781)	(112,638)	(130,599)
Interest paid	(727)	(2,351)	(2,860)	(4,608)
Placement of deposit for bank guarantee	(31,313)	(26,454)	(31,313)	(4,774)
Repayment of lease liabilities	(6,659)	-	(6,659)	-
<b>Net cash used in financing activities</b>	<b>(37,468)</b>	<b>(33,185)</b>	<b>(45,845)</b>	<b>(34,080)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(50,709)</b>	<b>(52,470)</b>	<b>(84,259)</b>	<b>(80,866)</b>
Effects of exchange rate changes in cash and cash equivalents	4,802	4,877	2,657	(979)
Cash and cash equivalents at beginning of the period	252,000	214,899	287,695	249,151
<b>Cash and cash equivalents at end of the period</b>	<b>206,093</b>	<b>167,306</b>	<b>206,093</b>	<b>167,306</b>
<b>Note:</b>				
For the purpose of the consolidated statement of cash flows, the consolidated cash and cash equivalents comprised:				
-Cash at bank and in hand	757	638	757	638
-Fixed deposits with banks	284,235	220,510	284,235	220,510
	<b>284,992</b>	<b>221,148</b>	<b>284,992</b>	<b>221,148</b>
Less: Pledged deposit	(78,899)	(53,842)	(78,899)	(53,842)
Cash and cash equivalents per consolidated statement of cash flows	<b>206,093</b>	<b>167,306</b>	<b>206,093</b>	<b>167,306</b>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group							Total equity RMB'000
	Share capital	Statutory reserve	Merger deficit	Capital reserve	Revenue reserve	Translation reserve	Fair value reserve/(deficit)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at 1 January 2019</b>	154,623	62,393	(13,029)	33,056	658,601	29,595	(684)	924,555
Profit for the period	-	-	-	-	29,488	-	-	29,488
Other comprehensive income, net of tax	-	-	-	-	-	(1,156)	1,060	(96)
<b>Balance at 30 June 2019</b>	<b>154,623</b>	<b>62,393</b>	<b>(13,029)</b>	<b>33,056</b>	<b>688,089</b>	<b>28,439</b>	<b>376</b>	<b>953,947</b>

	Group							Total equity RMB'000
	Share capital	Statutory reserve	Merger deficit	Capital reserve	Revenue reserve	Translation reserve	Fair value reserve/(deficit)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at 31 December 2017 (Restated)</b>	154,623	60,965	(13,029)	33,056	623,625	16,152	310	875,702
Adoption of SFRS(I) 9	-	-	-	-	(1,907)	2	-	(1,905)
<b>Balance at 1 January 2018</b>	<b>154,623</b>	<b>60,965</b>	<b>(13,029)</b>	<b>33,056</b>	<b>621,718</b>	<b>16,154</b>	<b>310</b>	<b>873,797</b>
Profit for the period	-	-	-	-	25,214	-	-	25,214
Other comprehensive income, net of tax	-	-	-	-	-	(437)	(668)	(1,105)
<b>Balance at 30 June 2018</b>	<b>154,623</b>	<b>60,965</b>	<b>(13,029)</b>	<b>33,056</b>	<b>646,932</b>	<b>15,717</b>	<b>(358)</b>	<b>897,906</b>

	Company			Total equity RMB'000
	Share capital	Revenue reserve	Translation reserve	
	RMB'000	RMB'000	RMB'000	
<b>Balance at 1 January 2019</b>	154,623	117,069	11,588	283,280
Total comprehensive income for the period	-	(174)	180	6
<b>Balance at 30 June 2019</b>	<b>154,623</b>	<b>116,895</b>	<b>11,768</b>	<b>283,286</b>

	Company			Total equity RMB'000
	Share capital	Revenue reserve	Translation reserve	
	RMB'000	RMB'000	RMB'000	
<b>Balance at 1 January 2018</b>	154,623	114,798	(2,467)	266,954
Total comprehensive income for the period	-	(2,292)	3,282	990
<b>Balance at 30 June 2018</b>	<b>154,623</b>	<b>112,506</b>	<b>815</b>	<b>267,944</b>

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There have been no changes in the Company's share capital during the 3 months ended 30 June 2019.

The Company did not hold any treasury shares and subsidiary holdings as at 30 June 2019 or as at 31 December 2018 respectively.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The Company's total number of issued shares was 356,536,000 as at 30 June 2019 and as at 31 December 2018, respectively.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported thereon.**

Not applicable.

- 1(d)(v) A statement showing all sales, transfers, disposal, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported thereon.**

Not applicable.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in paragraph 5 below, the accounting policies and methods of computation applied in the financial statements for the current reporting period are consistent with those disclosed in the audited financial statements for the year ended 31 December 2018.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

SFRS(I) 16 Leases introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its rights to use the underlying asset and a lease liability representing its obligation to make lease payments. Remaining lease payments under the operating leases will be recognised at their present value discounted using an appropriate discount rate and the nature of expenses will now change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of ROU assets and interest expense on lease liabilities.

As a lessee, the Group had adopted SFRS(I) 16 using the modified retrospective approach. The cumulative effect of adopting SFRS(I) 16 is recognised as an adjustment to the opening balance of accumulative profits at 1 January 2019, with no restatement of comparative information. The Group had applied the practical expedient to grandfather the definition of a lease on transition and the practical expedient to recognise ROU assets equal to its lease liabilities as at 1 January 2019.



The adoption of SFRS(I) 16 resulted in adjustments to the statement of financial position of the Group as at 1 January 2019. Lease liabilities are included in "Borrowings" in the statement of financial position.

During the half year ended 30 June 2019, the Group recognised depreciation charge of RMB6.3 million and interest costs of RMB0.8 million from these leases.

**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group			
	2nd Quarter ended 30/06/2019	2nd Quarter ended 30/06/2018	6 Months ended 30/06/2019	6 Months ended 30/06/2018
		Restated		Restated
<b><u>Earnings per ordinary share of the group</u></b>				
<b><u>(in RMB cents):</u></b>				
(a) Based on weighted average number of ordinary shares in issue; and	5.81	3.88	8.27	7.07
Weighted average number of ordinary shares for basic earnings per share computation ('000)	356,536	356,536	356,536	356,536
(b) On a fully diluted basis	5.81	3.88	8.27	7.07
Weighted average number of ordinary shares adjusted for the effect for dilution ('000)	356,536	356,536	356,536	356,536

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**

- (a) current financial period reported on; and**  
**(b) immediately preceding financial year.**

	Group		Company	
	As at 30/06/2019	As at 31/12/2018	As at 30/06/2019	As at 31/12/2018
Net asset value per ordinary share based on issued share capital at the end of the respective periods (in RMB cents)	267.56	259.32	79.46	79.45
No. of ordinary shares used in computing net asset value ('000)	356,536	356,536	356,536	356,536

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

**(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**

**(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

**OUR BUSINESS**

The Group is a global leading manufacturer in the high security equipment. We supply safes for Automated Teller Machines ("ATM") in the banking industry as well as for commercial and residential purposes. With its UL and CEN certified production base in China, Philippines, Vietnam and Germany, the Group has a global market presence in all major countries.

The Group also provides business solutions to customers by designing, engineering, manufacturing and assembling electro-mechanical equipment, Ticketing and Vending Machine ("TVM") and other products.

Priding itself on core competencies in precision engineering, the Group endeavours to provide integrated solutions to its customers by leveraging on its R&D capabilities, production expertise and excellent customer service.

## **(a) Profit statement of the Group**

For the 6 months ended 30 June 2019:

### **Revenue**

The Group achieved sales of RMB894.2 million, representing an increase of 1.7% or RMB15.1 million over last corresponding period.

Sales of the High Security Segment decreased by 9.3% or RMB43.4 million to RMB421.7 million over last corresponding period due to the decrease in sales of ATM safes.

Sales of the Business Solutions Segment increased by 14.1% or RMB58.5 million to RMB472.5 million over last corresponding period due to new products.

### **Gross Profit**

Gross profit of the Group increased marginally by 0.6% or RMB1.4 million to RMB223.9 million.

Gross margin remained relatively stable at 25.0% (1H2018: 25.3%).

### **Selling and distribution expenses**

Selling and distribution expenses increased by 12.4% or RMB5.6 million to RMB50.4 million mainly due to the increase in sales.

### **Administrative expenses**

Administrative expenses decreased by 5.3% or RMB5.4 million to RMB96.5 million mainly due to better control over the administrative expenses.

### **Research and development expenses**

Research and development expenses decreased by 5.5% or RMB2.2 million to RMB37.3 million mainly due to the completion of some development projects.

### **Other Income**

Other income increased by RMB5.5 million to RMB11.2 million mainly due to the increase in sales of raw materials and government grants, partially offset by the decrease of reversal of long term unclaimed payable.

### **Other Expenses**

Other expenses decreased by RMB6.4 million to RMB0.6 million mainly due to the decrease in foreign exchange loss, and fair value loss on derivative financial instruments.

### **Financial Expenses, net**

Financial expenses increased by RMB0.2 million to RMB4.1 million primarily due to recognition of interest expenses on lease liabilities in accordance with SFRS(I) 16 Leases, partially offset by an increase in interest income.

### **Impairment losses of financial assets**

the Group adopted Expected Credit Losses (ECL) model to assess credit losses. Based on ECL model, impairment losses decreased by RMB2.9 million to RMB0.2 million.

### **Profit before Tax**

Profit before tax was RMB46.6 million, representing an increase of RMB17.9 million as compared to RMB28.7 million during last corresponding period.

### **Income Tax Expenses**

Income tax expenses increased by RMB13.6 million. It mainly due to the increase of profit before tax generated from the profitable subsidiaries. And moreover, income tax refund was received in 2018 Q2 which reduced income tax expenses by RMB2.6 million, while no income tax refund was received in 2019 Q2.

### **Net profit after Tax**

Profit after tax was RMB29.5 million, representing an increase of 17.0% or RMB4.3 million as compared to RMB25.2 million during last corresponding period.

## **(a) Profit statement of the Group**

For the 3 months ended 30 June 2019:

### **Revenue**

The Group achieved sales of RMB496.9 million, representing an increase of 8.7% or RMB39.9 million over last corresponding period.

Sales of the High Security Segment decreased by 13.6% or RMB35.3 million to RMB224.4 million over last corresponding period due to the decrease in sales of ATM safes.

Sales of the Business Solutions Segment increased by 38.1% or RMB75.2 million to RMB272.5 million over last corresponding period due to the increase in sales orders.

### **Gross Profit**

Gross profit of the Group increased by 13.1% or RMB14.1 million to RMB121.6 million.

Gross margin of the Group remained relatively stable at 24.4% (2Q 2018: 23.5%).

### **Selling and distribution expenses**

Selling and distribution expenses increased by 24.8% or RMB6.2 million to RMB31.4 million mainly due to the increase in sales.

### **Other Income**

Other income increased by RMB9.5 million to RMB16.0 million mainly due to the increase in foreign exchange gain, and government grants.

### **Other Expenses**

Other expenses decreased by RMB2.7 million to RMB0.4 million mainly due to the decrease in fair value loss on derivative financial instruments.

### **Profit before Tax**

Profit before tax was RMB34.6 million, representing an increase of 18.9 million as compared to RMB15.6 million during last corresponding period.

### **Income Tax Expenses**

Income tax expenses increased by RMB12.1 million. It mainly due to the increase of profit before tax generated from the profitable subsidiaries. And moreover, income tax refund was received in 2018 Q2 which reduced income tax expenses by RMB2.6 million, while no income tax refund was received in 2019 Q2.

### **Net profit after Tax**

Profit after tax was RMB20.7 million, representing an increase of RMB6.9 million as compared to RMB13.8 million during last corresponding period.

## **(b) Statement of financial position of the Group**

### **Non-current Assets**

The Group's non-current assets increased by RMB39.8 million from RMB484.8 million as at 31 December 2018 to RMB524.6 million as at 30 June 2019 mainly due to the increase in property, plant and equipment and right-of-use assets.

Property, plant and equipment increased by RMB4.0 million from RMB327.2 million as at 31 December 2018 to RMB331.2 million as at 30 June 2019 mainly due to the addition of property, plant and equipment at our German entities.

Following the adoption of SFRS(I) 16 Leases on 1 January 2019, the Group recognised ROU assets and lease liabilities in relation to its existing operating lease arrangements. Refer to Item 5 for more details.

### **Current Assets**

The Group's current assets increased by RMB39.9 million from RMB1,059.9 million as at 31 December 2018 to RMB1,099.8 million as at 30 June 2019 mainly due to the increase in trade receivables and inventories, partially offset by the decrease in cash and bank balances, advances to suppliers and contract assets.

Trade receivables increased by RMB54.2 million from RMB220.1 million as at 31 December 2018 to RMB274.3 million as at 30 June 2019 mainly due to higher revenue.

Inventories increased by RMB53.6 million from RMB412.3 million as at 31 December 2018 to RMB465.9 million as at 31 December 2018 mainly due to the increase in sales demand.

Advance to suppliers decreased by RMB2.6 million from RMB21.1 million as at 31 December 2018 to RMB18.5 million as at 30 June 2019 mainly due to its utilisation for purchase of raw materials.

Contract assets decreased by RMB14.6 million from RMB39.2 million as at 31 December 2018 to RMB24.6 million as at 30 June 2019 mainly due to milestone billings on project sales.

### **Current Liabilities**

Current liabilities increased by RMB21.7 million from RMB475.8 million as at 31 December 2018 to RMB497.5 million as at 30 June 2019 mainly due to the increase in borrowings, trade payables, provision for income tax, and contract liabilities, partially offset by the decrease in other payables and accruals, and amounts due to related parties (trade & non-trade).

Borrowings increased by RMB4.2 million from RMB153.5 million as at 31 December 2018 to RMB157.7 million as at 30 June 2019 due to liabilities recognised on operating leases of the Group, in accordance with SFRS(I) 16 (See Item 5 for more details), partially offset by repayments.

Trade payables increased by RMB11.9 million from RMB127.3 million as at 31 December 2018 to RMB139.2 million as at 30 June 2019 mainly due to the increase in the purchases.

Provision for income tax increased by RMB4.6 million from RMB4.1 million as at 31 December 2018 to RMB8.7 million as at 30 June 2019 mainly due to the increase of profit before tax generated by the profitable subsidiaries.

Contract liabilities increased by RMB13.9 million from RMB74.4 million as at 31 December 2018 to RMB88.3 million as at 30 June 2019 due to the increase of advance payment from customers.

Other payables and accruals decreased by RMB5.0 million from RMB107.2 million as at 31 December 2018 to RMB102.2 million as at 30 June 2019 mainly due to the payment of accrued bonus.

Amounts due to related parties (trade & non-trade) decreased by RMB8.0 million from RMB9.3 million as at December 2018 to RMB1.3 million as at 30 June 2019 mainly due to the payments made.

### **Non-current Liabilities**

Non-current liabilities increased by RMB28.6 million from RMB144.4 million as at 31 December 2018 to RMB173.0 million as at 30 June 2019 mainly due to the increase in long-term borrowings and deferred tax liabilities.

Long-term borrowings increased by RMB26.7 million from RMB27.1 million as at 31 December 2018 to RMB53.8 million as at 30 June 2019 mainly due to the increase of liabilities recognised on operating leases of the Group as lessee, in accordance to SFRS(I) 16. See Item 5 for more details.

Deferred tax liabilities increased by RMB2.3 million from RMB24.4 million as at 31 December 2018 to RMB26.7 million as at 30 June 2019 mainly due to the deferred tax recognized on the undistributed profits of its Chinese subsidiaries.

#### **Shareholders' Equity**

As a result of the Group's net profit generated during period, shareholders' equity increased from RMB924.6 million as at 31 December 2018 to RMB953.9 million as at 30 June 2019.

#### **(c) Cash Flow Statement of the Group**

Net cash used in operating activities was RMB7.7 million for the 6 months ended 30 June 2019 mainly due to decrease in amounts due to related parties (trade & non-trade) and increase in trade receivables and inventories, partially offset by the operating profit before working capital changes, increase in contract liabilities, trade payables, and decrease in contract assets and advance to suppliers. The negative operating cash flow is mainly due to increase in trade receivables and inventories.

Net cash used in investing activities was RMB30.7 million for the 6 months ended 30 June 2019 mainly due to purchase of property, plant and equipment and addition of intangible assets.

Net cash used in financing activities was RMB45.8 million for the 6 months ended 30 June 2019 mainly due to the repayment of loans, interest paid, placement of deposit for bank guarantee and repayment of lease liabilities, partially offset by the proceeds from bank borrowings.

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

Not applicable.

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

The management expects trading conditions to remain challenging. Rising raw materials prices, a shrinking ATM market and labour cost challenges will remain head winds for our business. On-going trade issues between China and US will bring uncertainties to the Group's future performance. The Group has operations in Philippines and Vietnam which will help to limit the impacts of trade tariffs.

The Group will continue its efforts to expand new products lines. Meanwhile we will also continue to focus on innovation and the development of new generation Ticketing Vending Machines and other cashless terminals.

The Group will continue to focus on the integration synergies in joint development of self-service terminals between the Group and its German & UK subsidiaries.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

No dividend has been declared.

**(b) Corresponding Period of the Immediately Preceding Financial Year**

No dividend has been declared.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

12. **If no dividend has been declared (recommended), a statement to that effect and the reason(s) for that decision.**

Not applicable.

13. **If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial period under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Nantong Mayway Products Corp.	Rental for land and buildings for Q2 2019: RMB1.0 million	NIL

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

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

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

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual..

15. **Negative confirmation pursuant to Rule 705(5).**

On behalf of the Board of Directors of the Company, we confirm, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the 2nd quarter ended 30 June 2019 to be false or misleading in any material aspect.

On behalf of the Board of Directors,

Johnny Liu  
Chairman & CEO

Liu Bin  
Executive Director

**BY ORDER OF THE BOARD**

Johnny Liu  
Chairman & CEO  
13 August 2019