Dutech Holdings Limited

2020

ANNUAL REPORT

TABLE OF **CONTENTS**

ABOUT **DUTECH**

Incorporated in Singapore on 2 November 2006 and listed on the Mainboard of the Singapore Exchange on 2 August 2007, Dutech Holdings Limited (the “Company” or “Dutech”) and its subsidiaries (the “Group”) has developed into a global leading manufacturer of high security products. The Group’s UL- and CEN-certified products include ATM safes, banking safes, commercial safes, and cash handling systems. The Group also designs and manufactures intelligent terminals including Ticket Vending Machines (“TVM”), gaming machines, lottery machines and parking machines.

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

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 “21 Century China best business model selection” in 2014, the “Best Suppliers” by Wincor Nixdorf, the “Golden Award” by Diebold in 2013, 2014 and 2015, the “Best supplier” by Diebold Nixdorf in 2018, and the “Best Suppliers” by Glory Ltd in 2019.

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 Diebold Nixdorf, Liberty Safe & Security Products Inc., Tractor Supply Co., Glory Ltd., Scientific Games, Aldi and Deutsche Bahn.

CHAIRMAN'S **MESSAGE**

On behalf of the Board of Directors of Dutech Holdings Limited ("Dutech" or the "Group"), I present our annual report for the financial year ended 31 December 2020 ("FY2020").

DEAR SHAREHOLDERS

On behalf of the Board of Directors of Dutech Holdings Limited ("Dutech" or the "Group"), I present our annual report for the financial year ended 31 December 2020 ("FY2020").

The year has been an extremely challenging one due to the global COVID-19 pandemic which was a stress test for just about every company in almost every industry. Many businesses came to a standstill and we suffered the worst economic crisis since the Great Depression. We also witnessed rising trade and geopolitical tensions between the United States and China which added further volatility and uncertainties. Against this backdrop, it is encouraging that we continued to deliver a creditable set of results despite the economic disruptions which impacted business operations.

FINANCIAL REVIEW

Dutech reported revenue of RMB1,762.9 million in FY2020 compared to RMB1,882.2 million in the financial year ended 31 December 2019 ("FY2019"). The 6.3% decrease in revenue was attributed to lower sales from the Business Solutions Segment which dropped by 16.5% to RMB802.2 million on the back of curtailed or delayed business spending due to weak market sentiments. This was mitigated by a 4.3% increase in High Security Segment revenue to RMB960.8 million as a result of an uptick in demand for security products.

In line with the lower revenue, FY2020 gross profit fell 5.5% to RMB498.0 million while Group gross margin remained relatively stable at 28.3%. Profit before tax declined 37.5% to RMB82.2 million from RMB131.5 million previously, on account of a 88.6% increase in other expenses due largely to the one-time write-off of right-of-use assets and non recurring provision for onerous contracts. This was offset by lower income tax expenses which fell 83.1%. Consequently, the Group closed the year with a 7.3% decrease in net profit after tax to RMB73.3 million, and earnings per share of RMB20.57 cents.

The Group's balance sheet remained strong with positive net working capital which was higher at RMB767.9 million compared to RMB682.5 million in FY2019. Net asset value per share was also higher at RMB288.40 cents. Cash flow wise, the Group generated net cash from operations amounting to RMB151.9 million, with healthy cash balance of RMB538.1 million.

BUSINESS REVIEW

Dutech is a global provider of high security and intelligent terminal solutions. As a leading Original Design Manufacturer ("ODM") and the largest producer in Asia in terms of sales and production capacity in high security solutions, we supply a wide range of products such as commercial, banking and ATM safes, as well as cash handling systems. We have also expanded our capabilities to include the development and manufacture of intelligent terminals including ticket vending machine ("TVM"), gaming, lottery and parking machines. Headquartered in Shanghai, China, we have operations in China, the Philippines, Vietnam,

CHAIRMAN'S MESSAGE

UK, USA, Germany and Ireland. We have established presence in all major markets, including USA, Europe and the Asia Pacific region, to serve our global clients.

Market Highlights – North and South America registered 22.6% revenue growth

Dutech's markets span the PRC, North & South America (the "Americas"), Europe and Asia Pacific, and we registered uneven recovery across these regions in the year.

Sales in the Americas were buoyant and outperformed last year by 22.6% to RMB587.1 million as our competitors' manufacturing capacity was constrained by the COVID-19 lockdown. Apart from the Americas which recorded revenue growth, the rest of our markets posted lower sales. Europe, which remained the Group's largest revenue contributor in FY2020, registered a 12.4% decline in sales to RMB979.0 million, due mainly to a major one-time order from a German customer in 2019. Recovery in our Europe operations has been slow as new wave of COVID-19 outbreak drove countries back into lockdown. Our four subsidiaries in Germany have been running at above 80% of capacity. In our other markets, business has picked up gradually, particularly in the PRC which had a marginal 5.2% decline in revenue.

R&D – Gaining an edge through innovation and quality

R&D is a critical component of innovation and a key factor in developing new competitive advantages to position ourselves ahead of the competition. Our R&D expenses in FY2020 was at RMB72.9 million as we continued to develop technology and future capabilities.

Our R&D efforts were focused on developing higher security standards and smart solutions for TVM and parking machines. In order to better integrate and optimise our R&D resources, we established a software company in Ireland to reap intra-group synergies. In 2020, we successfully secured 23 patents. We are also pleased to announce that our Nantong plant has been named as a municipal Enterprise Technology Centre in 2020, a clear recognition of our R&D efforts.

We continued to advocate high quality standards with an additional seven certifications including three from UL (Underwriters Laboratories), two from CEN (European Committee for Standardisation) and two from CE (European Conformity).

Technology-focused – Leveraging high-tech capabilities to boost performance and new product development

With our consistent track record in innovation and the advancement of high technology capabilities, our subsidiary, Jiangsu Tri Star Technology Co., Ltd, continued to qualify as a High and New Technology Enterprise ("HNTE") company. We currently have two HNTE subsidiaries that enjoy preferential corporate tax rate of 15% as compared to the 25% statutory rate.

In terms of new products, we are developing My Cashier, an automated payment system which will enable secure and user-friendly payment processing at point-of-sale ("POS"). With its flexible modular setup, My Cashier is capable of being operated as a standalone solution, used in conjunction with any cash registers or run in parallel with any existing POS systems.

Sustainability – Prioritising health and safety and environmental protection

The COVID-19 pandemic has further reinforced the importance of our sustainability agenda. Our operations were disrupted and production was delayed due to manpower restriction. Raw material availability as well as transportation and logistics were also impacted. Amid the uncertainty, our priority is to ensure the safety and protection of our employees. We have taken precautionary measures prescribed by government agencies such as intensifying cleaning and disinfection of our premises and conducting daily temperature checks. Our employees were regularly briefed on the importance of observing social distancing and adopting good hygiene practices such as frequent hand washing and sanitisation. Our Business Continuity Plans have also been activated so that we can resume normal operations safely.

CHAIRMAN'S MESSAGE

We also continued with our sustainability efforts in environmental protection through quality control to minimise material wastage and to reduce energy and water usage. Additionally, we have worked towards complying with new government guidelines on waste management and enhanced workplace security and safety regulations to prevent occupational-related injuries and illnesses.

Our sustainability efforts will be covered in greater detail in our FY2020 Sustainability Report which will be available at the same day.

OUTLOOK

The outlook for FY2021 is expected to remain challenging due to uncertainties from the evolving Covid-19 situation with the uneven rollout of vaccinations across countries. Geopolitical tensions and macroeconomic headwinds from inflation risk and continuing trade protectionism may also give rise to market volatility. For Dutech, our business will continue to be impacted by rising raw material prices, exchange rates volatility and the global shift towards cashless transactions.

Notwithstanding the turbulence ahead, we remain confident of our ability to navigate the challenges on the back of our strong business fundamentals, healthy financials and long-term industry prospects.

FUTURE PLANS

E-commerce to drive sales

We have mapped out our growth strategies and foremost is the pursuit of opportunities afforded by digital transformation. To this end, we will be expanding our e-commerce platforms to drive sales. Our subsidiary, Format, spearheaded our entry into e-commerce sales in 2018 and online sales is now the main driver of its sales growth. With our acquisition and integration of Eisenbach GmbH in 2019, online high security product sales has slowly started to bear fruit. In FY2020, online sales from Eisenbach GmbH accounted for RMB155.6 million of the Group's revenue.

Improving efficiency and market reach

At Dutech, it is important we serve our customers better, faster and more efficiently. With our one-stop solutions, we are able to meet the end-to-end requirements of our customers. We will continue to ramp up our integration efforts across all our subsidiaries for procurement, production, R&D and marketing to benefit from economies of scale, optimise our resources and improve our competitiveness. In FY2021, we will actively explore expansion into new regions and markets to add value to our existing and new customers.

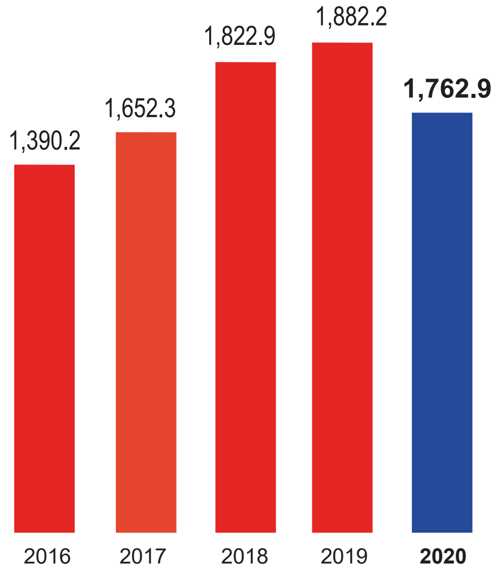
APPRECIATION

As I look back on 2020, I am grateful for the support we received in weathering through this extraordinary difficult year. My gratitude goes to my fellow Board members for their guidance and counsel. I would also like to extend my heartfelt appreciation to our management and staff for their hard work and commitment, and to our shareholders, customers and business partners for their unwavering support. I am confident that with your support, we will be able to get through these tough times and emerge stronger.

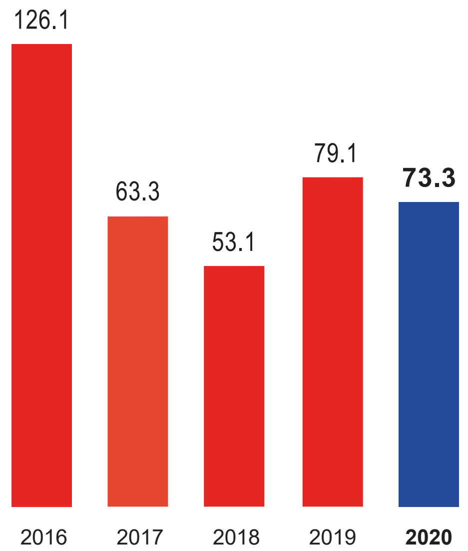
DR JOHNNY LIU
Chairman & CEO

FINANCIAL **HIGHLIGHTS**

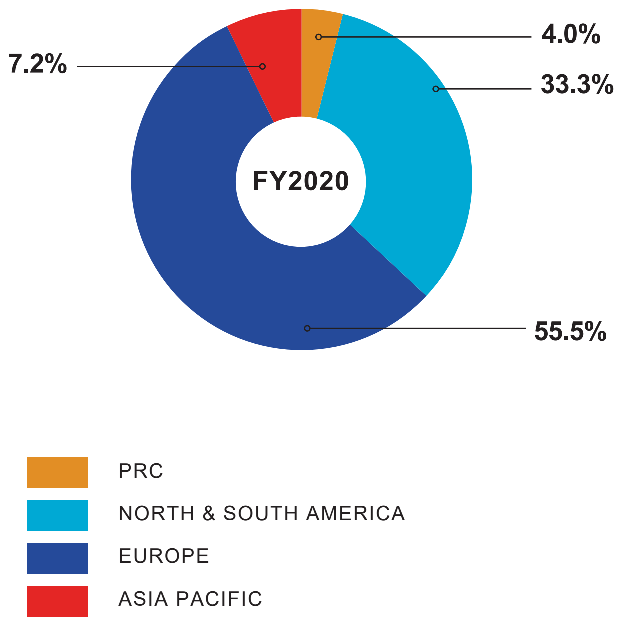
REVENUE (RMB Million)



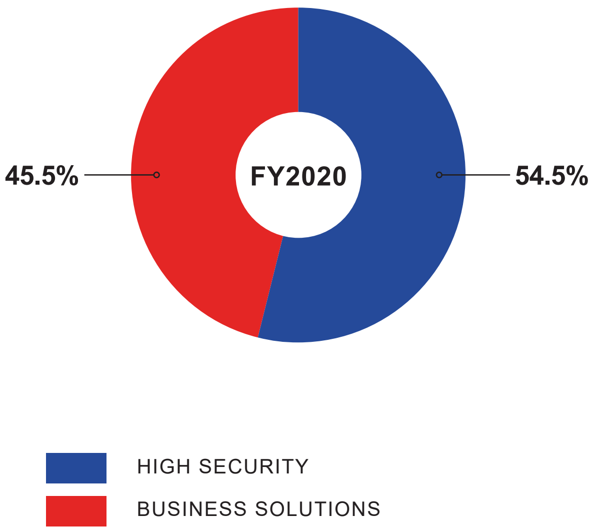
PROFIT ATTRIBUTABLE TO SHAREHOLDERS (RMB Million)



REVENUE BY GEOGRAPHICAL REGION



REVENUE BY PRODUCTS



DIRECTORS' PROFILE

DR. JOHNNY LIU

Dr Liu is the Executive Chairman, CEO and Controlling Shareholder of Dutech, and is responsible for the business direction, strategies and development of our Group. Dr. Liu was appointed as a Director on 2 November 2006 and was last re-elected on 26 April 2018. 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 Jiao Tong 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 Jiao Tong 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 honoured as "Top Ten Young Chinese Enterprisers" by Foreign and Overseas Chinese Affairs Office. Dr. Liu is also a Board Member of ESSA e.V. (European Security Systems Association).

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

MR. LIU BIN

Mr Liu is the Executive Vice-Chairman of our Board of Directors. He was appointed as a Director on 26 March 2007 and was last re-elected on 26 April 2018. He is the Vice Chairman of Tri Star Inc. since 2005 and the main 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 Nantong Wiedson Hi-Wits Precision Co., Ltd.

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

MS. TAN YEE PENG

Ms Tan was appointed as a Director with effect from 25 April 2019 and was last re-elected on 28 May 2020. She is the Lead Independent Director, Chairman of the Audit & Risk Committee and member of the Nominating Committee and Remuneration Committee of the Company.

Ms. Tan graduated with First Class Honours degree in Accountancy from Nanyang Technology University. She previously served as an audit and advisory partner of KPMG in Singapore from 2003 to 2010 and has more than twenty years of accounting and auditing experience. She was also appointed as an Adjunct Associate Professor at the Nanyang Business School, Nanyang Technological University from 2009 to 2018.

Ms. Tan is also a Director of 1FSS Pte Ltd, Hercules Pte Ltd and a Council Member of the Agency of Care Effectiveness. Ms Tan was also a Director and member of the Audit & Risk Committee at City Developments Limited from 2014 to 2020.

Ms. Tan does not have any relationships with the Directors, the CEO or its 5% shareholders as defined in the Code of Corporate Governance 2018.

MR. GRAHAM MACDONALD BELL

Mr Bell was appointed as a Director with effect from 4 June 2007 and was last re-elected on 25 April 2019. Mr. Bell is the Chairman of the Nominating Committee and a member of the Audit & Risk Committee and Remuneration Committee of the Company.

He is the Chairman of Graham Bell & Associates Pte Ltd., a boutique consultancy and private equity company and a director of ERC Equipoise Pte Ltd a corporation providing technical testing and analysis services. 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 with the Directors, the CEO or its 5% shareholders as defined in the Code of Corporate Governance 2018.

DIRECTORS' **PROFILE**

MR. CHEN ZHAOHUI, GEORGE

Mr Chen was appointed as a Director with effect from 4 June 2007 and was last re-elected on 25 April 2019. He is the Chairman of the Remuneration Committee and a member of the Audit & Risk 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 with the Directors, the CEO or its 5% shareholders as defined in the Code of Corporate Governance 2018.

DR. HEDDA JULIANA IM BRAHM-DROEGE

Dr. im Brahm-Droege was appointed as a Director since 1 October 2014. She was previously considered as an Independent Director but is re-designated as a Non-Executive Director due to the revised definition of "substantial shareholder" which came into effect on 1 January 2019. She was last re-elected as a Director on 28 May 2020. 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 Group AG. Droege Group AG (see: www.droege-group.com) is an independent Advisory and Investment Company. Furthermore, Dr. im Brahm-Droege is a member of the Board of Trustees of Kunstsammlung North Rhine-Westphalia and she is a member of the Erich Gutenberg Association. In addition to that, she holds various board positions in art-related as well as charitable organisations.

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

Mr Christoph Hartmann is nominated by Droege Group AG, which is a substantial shareholder of Dutech, as a Non-Executive Director. He was last re-elected as a Director on 28 May 2020. He is a member of the Audit and Risk Committee of the Company. He holds a degree in Business Economics and has been working for Droege Group AG, Düsseldorf (Germany) since 2007 where he is responsible for the portfolio management of Droege Group AG's investments.

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.

KEY MANAGEMENT

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

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. SUNNY YU TIANZHAO is our Chief Financial Officer and is responsible for financial control of the Group. Mr. Yu obtained his Bachelor of Economics from Shanghai University of Finance and Economics in 1992, and the participated in the CEIBS-LBS CFO program in 2013. After that, he has been admitted by the University of London to the Degree of Master of Science with Merit in Professional Accountancy.

He has around 30 years of experience in accounting and financial management, and has been awarded the certificates of Senior Accountant, China Certified Public Accountant and the Fellowship of Chartered Certified Accountant. Prior to joining the group in June 2018, he worked as a Senior Financial Manager in Shanghai Johnson Ltd. from June 1995 to April 2006, and the Financial Director in Jungheinrich Lift Truck (Shanghai) Co., Ltd. from August 2006 to May 2014. Thereafter, he joined WEBEN Smart Manufacturing System (Shanghai) Co., Ltd. as Chief Financial Officer and Secretary of the Board of Directors from November 2014 to May 2017, and worked for Interchina Water Treatment Co. Ltd., a listed company in China, as the General Manager of the finance department from May 2017 to June 2018.

DR. POPOF WU BO is our Chief Technology Officer ("CTO") and is responsible for the technology, research and development. Dr. Wu obtained his Bachelor of Engineering Mechanics from Tsinghua University in 2000. He got his doctorate in Mechanical Engineering in University of Lille, France in 2003. After that, he worked in Nuclear Energy Commissariat Paris for the European projects of linear colliders.

Dr. Wu has rich experience in the field of research & development. Prior to joining the group, he worked as a Program Manager in OTIS Elevator Shanghai Engineering Center from 2006 to 2010 and the Product Engineering Manager in STANLEY GMT (SH) from 2010 to 2015. He was the R&D director of BST elevator door systems Co., Ltd. from 2015 to 2017.

MR. GE CHAOFENG is our Managing Director in charge of Asia operation included China facilities, Vietnam and Philippines plant. He is responsible for production, supply chain management, production organization, quality assurance, timely delivery and all daily operation. Mr. Ge obtained his Bachelor of Engineering in Henan University of Science and Technology in 1988. He graduated from Industrial Management Program for CMBA from Shanghai Jiao Tong University in 2008.

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

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

After graduating with Bachelor of Science and Technology in 1997, Ms. Shi worked at the Bank of China as Management Trainee. She left to pursue MBA from Fudan University in 2000. Subsequently, she joined Murray Inc.'s Shanghai Representative Office as Business Manager.

She has been with the Group since 2003. From 2003 to 2015, Ms. Shi worked as Sales Director of our Group. During this period, she had attended Executive Educational Program from Wharton Business School, University of Pennsylvania in 2008.

MS. DONIA DONG JUNXIA is our Financial Controller since December 2006 and assists our CFO in the financial operations of the Group 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 has been awarded the certificate of China Certified Public Accountant since 2001. She got her Postgraduate Diploma in Corporate Finance and Investment Management from the University of Hong Kong in 2013.

Prior to joining the Group, 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. From 2003 to 2006, she worked in Mayway as Financial Controller.

CORPORATE **GOVERNANCE REPORT**

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

The Company has complied with Listing Rule 710 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") by describing in this report its corporate governance practices with specific reference to the principles and provisions as set out in the Code of Corporate Governance issued by the Monetary Authority of Singapore dated 6 August 2018 ("**2018 Code**"). Where the Company's practices differ from the provisions under the 2018 Code, the Company's position and reasons in respect of the same are explained in this report.

I. BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

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, together with strategic networking relationships, and serves to further the interests of the Company.

All Directors, being fiduciaries, are required to act objectively in the best interests of the Company. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the Company. Directors, who are in any way, directly or indirectly, interested in a transaction or proposed transaction, declare the nature of their interests and in the case of any conflicts of interests, abstain from participating in the deliberation and decision making on such transactions. Such abstentions are duly recorded in the minutes and/or resolutions of the Board and/or the Board Committees. (Provision 1.1 of 2018 Code)

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:

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

The approval of the Board is required for the following matters:

(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.

CORPORATE **GOVERNANCE REPORT**

Management has been given clear directions on the above matters that require Board's approval, and these are communicated to Management in writing. (Provision 1.3 of 2018 Code)

To assist the Board to effectively discharge its oversight duties and functions, the Board has delegated certain duties to various Board committees. (*Provision 1.4 of 2018 Code*) These Board Committees, namely the Audit and Risk Committee ("**ARC**"), 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 Board Committees. The compositions of these Committees, the names of the committee members, the terms of reference and a summary of each Committee's activities are disclosed in pages 14 to 23 of this Annual Report.

Board and Board Committees meetings

The Board is scheduled to meet at least twice (2) 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 the Board and the Board Committees meetings, and annual general meeting ("**AGM**") held during the financial year ended 31 December 2020 ("**FY2020**") is set out below (*Provisions 1.5 and 11.3 of 2018 Code*):

Type of Meetings	Board	Audit and Risk Committee	Nominating Committee	Remuneration Committee	AGM
Total No. Held	3	2	1	1	1
Attendance					
Dr. Johnny Liu, Executive Chairman & CEO	3 of 3	N.A.	N.A.	N.A.	1 of 1
Mr. Liu Bin, Executive Vice-Chairman	3 of 3	N.A.	N.A.	N.A.	1 of 1
Mr. Christoph Hartmann, Non-Executive Director	3 of 3	2 of 2	N.A.	N.A.	1 of 1
Dr. Hedda Juliana im Brahm-Droege, Non-Executive Director	3 of 3	N.A.	N.A.	1 of 1	1 of 1
Ms. Tan Yee Peng, Lead Independent Director	3 of 3	2 of 2	N.A.	N.A.	1 of 1
Mr. Graham Macdonald Bell, Independent Director	3 of 3	2 of 2	1 of 1	1 of 1	1 of 1
Mr. Chen Zhaohui, George, Independent Director	3 of 3	2 of 2	1 of 1	1 of 1	1 of 1

N.A.: Not Applicable

The Board is pleased to report that there is full attendance at all Board and Board Committees meetings during FY2020. The NC is satisfied that directors with multiple board representations have given sufficient time and attention to the affairs of the Company. (*Provision 1.5 of 2018 Code*)

CORPORATE **GOVERNANCE REPORT**

Board Orientation and Training

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. (*Provision 1.2 of 2018 Code*)

For a first time Director who has no prior experience as a director of a listed company, in addition to the induction as described above, he or she will be required to also attend specific modules of the Listed Entity Director ("**LED**") Programme conducted by the Singapore Institute of Directors ("**SID**") in order to acquire relevant knowledge of what is expected of a listed company director, this being a mandatory requirement under the SGX-ST Listing Rules. (*Provision 1.2 of 2018 Code*)

All 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. (*Provision 1.2 of 2018 Code*)

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

During FY2020, Directors were briefed by the external auditor on the developments in financial reporting and governance standards. News releases issued by the SGX-ST and ACRA Practice Guidance which are relevant to the Directors were also circulated to the Board for information. The Directors were also informed about matters such as the internal code with regard to dealings in the Company's shares as they are privy to price sensitive information. Other training attended by directors include "Annual Corporate Governance Roundup", "Managing Risks in a Digital World" and "ACRA-SGX-SID Audit Committee Seminar" organized by the SID.

In addition to the training courses/programmes and briefings, Directors are also at liberty to approach Management for any further information or clarification concerning the Company's operations. (*Provision 1.2 of 2018 Code*)

Complete, adequate and timely information

Prior to each meeting, members of the Board and Board Committees are provided with the meeting agenda and the relevant papers submitted by Management. Management targets to provide the relevant papers at least a week in advance to afford the Directors sufficient time to review the papers prior to the meeting. (*Provision 1.6 of 2018 Code*)

For prospective deals and potential developments, management targets to brief and engage with the Directors in the early stages. (*Provision 1.6 of 2018 Code*)

If a Director is unable to attend a Board or Board Committees meeting, the Director may provide his/her comments to the Chairman or relevant Committees Chairman before the meetings.

Access to Management, Company Secretary and External Advisers

The Directors have direct and independent access to the Management, the company secretary and external advisers. The Directors, whether as a group or individually, are entitled to take independent advice at the expense of the Company, in the discharge of their duties and where circumstances warrant it. (*Provision 1.7 of 2018 Code*)

The appointment and removal of the Company Secretary is subject to the Board's approval. The Company Secretary or its delegate, attend all Board and Board Committees meetings to provide guidance for Board procedures to be followed.

CORPORATE **GOVERNANCE REPORT**

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

The Board presently comprises seven (7) Directors, of whom two (2) are Executive Directors, two (2) of whom are Non-Executive Directors and the remaining three (3) are Independent Non-Executive Directors (*Provision 2.3 of 2018 Code*):

Executive Directors:
Dr. Johnny Liu (Executive Chairman and Chief Executive Officer)
Mr. Liu Bin (Executive Vice Chairman)

Non-Executive Directors:
Dr. Hedda Juliana im Brahm-Droege (Non-Executive Director)
Mr. Christoph Hartmann (Non-Executive Director)
Ms. Tan Yee Peng (Lead Independent Director)
Mr. Graham Macdonald Bell (Independent Director)
Mr. Chen Zhaohui, George (Independent Director)

Provision 2.2 of 2018 Code requires independent directors to make up a majority of the Board where the Chairman is not independent. The Company does not comply with Provision 2.2 as Independent Directors do not make up a majority of the Board and the Chairman is not independent, However, Non-Executive Directors do make up a majority of the Board. Given the size and composition of the Board and the active participation of Board members at Board meetings, the Board is of the view that there is an appropriate level of independence in its composition to enable it to make decisions in the best interests of the Company. The Board will continue to review its Board composition as it embarks on its Board renewal. The NC would continue with the search for additional independent directors with the appropriate skills, knowledge and experience to join the Board. The Board concurred with the NC's assessment and recommendation.

Board independence

The independence of each Director is reviewed annually by the NC and the Board. Each Independent Director is required to complete a checklist annually to confirm his independence based on the guidelines as set out in the 2018 Code. The NC adopts the 2018 Code's definition of what constitutes an "independent" director, which is one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Company, in its review. (*Provision 2.1 of 2018 Code*)

The three (3) Independent Directors are Ms. Tan Yee Peng, Mr. Graham Macdonald Bell and Mr. Chen Zhaohui, George. In accordance with SGX-ST Listing Rule 210(5)(d), none of the Independent Directors are currently employed or have been employed at any time during the past three financial years by the Company or any of its related corporations. None of the Independent Directors has immediate family members who are currently employed or have been employed at any time during the past three (3) financial years by the Company or any of its related corporations, and whose remuneration is determined by the RC. For purposes of determining independence, the Independent Directors also provided confirmation that they are not related to the Directors and 5% shareholders of the Company. The NC is satisfied that there is no other relationship which could affect their independence. The Board concurred with the NC's determination of the independence of the three (3) Independent Directors.

Mr. Graham Macdonald Bell and Mr. Chen Zhaohui, George, have served on the Board for more than nine (9) years since their first appointment to the Board. After performing a rigorous review, the NC and the Board concurred that both Mr. Graham Macdonald Bell and Mr. Chen Zhaohui, George had maintained their independence throughout their tenure, having observed their contribution and objectivity during meetings. They continue to express their views, debate issues and challenge management. The Company has benefited from their years of experience. (Provision 2.4 of 2018 Code)

CORPORATE **GOVERNANCE REPORT**

Pursuant to Rule 210(5)(d)(iii) of the SGX-ST Listing Manual which will take effect on 1 January 2022, the following proposal shall be submitted to shareholders for approval at the forthcoming AGM:

(i) To approve the continued appointment of Mr. Graham Macdonald Bell as Independent Director (as his tenure have exceeded nine years); and

(ii) To approve the continued appointment of Mr. Chen Zhaohui, George as Independent Director (as his tenure has exceeded nine years)

The NC and the Board are satisfied with their continued independence in character and judgement in discharging their responsibilities as Directors of the Company with the utmost commitment to protect and uphold the interests of the Company and all shareholders, not just the substantial shareholders and found no evidence to indicate that the length of service has in any way affected their respective independence. (*Provision 2.4 of 2018 Code*)

The Non-Executive Directors, including the Independent Directors, meet regularly without the presence of Management. During FY2020, the Non-Executive Directors met once without the presence of Management. The Lead Independent Director who chaired the meeting of the Non-Executive Directors collates the feedback from the Non-Executive Directors and communicates the same to the Board Chairman. (*Provision 2.5 of 2018 Code*)

Board Size and Board Diversity

The NC reviews the size and composition of the Board and the Board Committees annually.

Collectively, the Directors bring with them a broad range of industry knowledge, expertise and experience in areas such as legal, accounting, finance, business management and risk management. The diversity of the Directors' experience allows for the useful exchange of ideas and views as well as provide for effective decision-making. (*Provision 2.4 of 2018 Code*)

The Company has in place of a Board diversity policy, which endorses the principle that the Board and the Board Committees are of an appropriate size, and comprise Directors who as a group provide the appropriate balance and mix of skills, knowledge, experience and other aspect of diversity such as gender and age, so as to avoid groupthink and foster constructive debate.

With a view to achieving a sustainable and balanced development, the Company sees diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to the following:

(a) gender;
(b) age;
(c) nationalities;
(d) ethnicity;
(e) cultural background;
(f) educational background;
(g) experience;
(h) skills;
(i) knowledge; and
(j) independence.

All Director appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity and needs on the Board. Any search firm engaged to assist the Board or the Board Committees in identifying candidates for appointment to the Board will be specifically directed to include diverse candidates and women candidates in particular.

Selection of candidates will be based on a range of diversity perspectives as mentioned above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

CORPORATE **GOVERNANCE REPORT**

The Company is pleased to report that the Company has met the recommendation of the Council for Board Diversity for listed companies to have 25% female representation on their boards by 2025. The Board has 2 female directors and 5 male directors presently. (*Provision 2.4 of 2018 Code*)

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 6 to 7 of this Annual Report.

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. (*Provision 2.4 of 2018 Code*)

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Dr. Johnny Liu, a controlling shareholder of the Company, assumes the roles of Executive Chairman and Chief Executive Officer ("**CEO**") of the Company. He plays a vital role in developing and expanding the business of the Group and has provided strong leadership and vision to the Group. Given the size of the Group's current business operations and nature of its activities, the Board is of the view that it is not necessary to separate the roles of the Chairman and CEO. (*Provision 3.2 of 2018 Code*) 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. All three (3) Board Committees, comprising Non-Executive Directors, are chaired by Independent Directors. (*Provision 3.1 of 2018 Code*)

In accordance with the recommendations of the 2018 Code, Ms. Tan Yee Peng has been appointed as the Lead Independent Director. The Lead Independent Director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Executive Chairman or Management are inappropriate or inadequate. (*Provision 3.3 of 2018 Code*)

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. Johnny Liu being able to exercise considerable concentration of power or influence. (*Provision 3.1 of 2018 Code*)

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The NC presently comprises three (3) members, all of whom are independent. The Lead Independent Director is one of the members of the NC. The NC members are (*Provisions 1.4 and 4.2 of 2018 Code*):

Mr. Graham Macdonald Bell (Chairman and Independent Director)
Ms. Tan Yee Peng (Member and Lead Independent Director)
Mr. Chen Zhaohui, George (Member and Independent Director)

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 (Provisions 1.4 and 4.1 of 2018 Code):

- To make recommendations to the Board on all appointment and re-appointment of Directors (including Alternate Directors, if any);
- To regularly and strategically review the structure, size and composition of the Board and Board Committees, and recommend changes, if any, to the Board;
- To recommend the memberships on the Board Committees to the Board;
- To review and/or provide the Board with its succession plans for the Board Chairman, Directors, CEO and key management personnel;

CORPORATE **GOVERNANCE REPORT**

- To determine annually the independence of Directors, bearing in mind the circumstances set forth in Provision 2.1 of the 2018 Code and other salient factors;
- To develop the performance evaluation framework for the Board, the Board Committees and individual Directors;
- To review the training and professional development programmes for the Board and its directors;
- To recommend Directors who are retiring by rotation to be put forward for re-election;
- To review other directorships held by each Director and decide whether or not a Director is able to carry out, and has been adequately carrying out his/her duties as a Director of the Company, taking into consideration the Director's number of listed company directorships and principal commitments;
- To assess the effectiveness of the Board as a whole and each of the Board Committees, and the contribution of each individual director to the effectiveness of the Board; and
- To undertake such other functions and duties as may be required by the Board under the 2018 Code, statute or the SGX-ST Listing Manual.

The NC will seek to refresh the Board membership progressively and in an orderly manner, to avoid losing institutional memory. The NC interviews shortlisted candidates before formally considering and recommending them for appointment to the Board and Board Committees. Searches for potential candidates typically take into account recommendations from the directors. Search firms may also be engaged to find appropriate candidates. In reviewing and recommending to the Board any new Director appointments, the NC considers the candidate's track record, experience and expertise and other factors such as age and gender that would contribute to the Board's collective skills and expertise. (*Provisions 2.4 and 4.3 of 2018 Code*) The NC also considers the ability of the candidate to dedicate sufficient time and attention to the Company and the candidate's independence in the case of an appointment of an Independent Director.

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.

Pursuant to the Article 107 of the Company's Constitution, the following Directors are due for retirement by rotation at the forthcoming AGM:

(i) Dr. Johnny Liu; and
(ii) Mr. Liu Bin.

Mr. Graham Macdonald Bell and Mr. Chen Zhaohui, George have indicated their intention to stand up for re-election as Directors pursuant to Article 110 of the Company's Constitution at the forthcoming AGM.

The NC has reviewed and recommended for the re-election of Dr. Johnny Liu, Mr. Liu Bin, Mr. Graham Macdonald Bell and Mr. Chen Zhaohui, George as Directors of the Company at the forthcoming AGM. (*Provisions 4.1(d) and 4.4 of 2018 Code*)

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

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

Name of Director	Appointment	Date of initial appointment	Date of last re-election
Dr. Johnny Liu	Executive Chairman & CEO	2 November 2006	26 April 2018
Mr. Liu Bin	Executive Vice-Chairman	26 March 2007	26 April 2018
Ms. Tan Yee Peng	Independent Director	25 April 2019	28 May 2020
Mr. Graham Macdonald Bell	Independent Director	4 June 2007	25 April 2019
Mr. Chen Zhaohui, George	Independent Director	4 June 2007	25 April 2019
Dr. Hedda Juliana im Brahm-Droege	Non-Executive Director	1 October 2014	28 May 2020
Mr. Christoph Hartmann	Non-Executive Director	1 December 2011	28 May 2020

CORPORATE **GOVERNANCE REPORT**

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. (*Provisions 1.5 and 4.5 of 2018 Code*)

The Board is of the view that setting a maximum number of listed company board representations would not be meaningful as the contributions of the Directors would depend on many factors such as whether they were in full time employment and their other responsibilities. If a quantitative number of directorships was imposed, the NC might have omitted outstanding individuals who despite the demands on their time had the capacity to participate and contribute as new members of the Board. The NC will assess each Director relative to his or her abilities and known commitments and responsibilities. (*Provision 4.5 of 2018 Code*)

The Board does not have any Alternate Directors.

The Company will continue to disclose each Director's listed company directorships and principal commitments which may be found in the "Further Information on Board of Directors" section in the Annual Report.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The NC is tasked with making recommendations to the Board on the process and criteria for evaluation of the performance of the Board, the Board Committees and the individual Directors.

The NC assesses the effectiveness of the Board as a whole, and of each Board Committees separately, as well as the contribution by each Director to the effectiveness of the Board on an annual basis. (*Provision 5.1 of 2018 Code*) The Board, with the recommendations of the NC, had adopted a formal process for assessing the effectiveness of the Board as whole, and of each Board Committees, and the contribution by each Director to the effectiveness of the Board.

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. (*Provision 5.2 of 2018 Code*)

For FY2020, all Directors were requested to complete the Board Performance Evaluation Questionnaire and Individual Director Self-Assessment Form. In addition, each Board Committees members was requested to complete the respective Board Committees Performance Evaluation Questionnaire. All the completed evaluation questionnaire and forms were forwarded to the Company Secretary for collation of results. The summary of findings of the Board Performance Evaluation, each Board Committees Performance Evaluation and Individual Director Self-Assessment were presented to the NC and the Board for review and deliberation. The Chairman of the NC confers with the Chairman of the Board on the findings and appropriate follow-up actions are taken as necessary.

Board Evaluation Process

The evaluation serves to assess the effectiveness of the Board as a whole on the following parameters:

(a) Board composition;

(b) Board conduct of affairs;

(c) Internal controls and risk management;

(d) Board accountability;

(e) CEO; and

(f) Standards of conduct.

Based on the summary of findings of the evaluation for FY2020 together with the feedback and recommendations from each Director, the NC is satisfied that the Board as a whole had met its performance objective in FY2020.

CORPORATE **GOVERNANCE REPORT**

Board Committees Evaluation Process

The evaluation serves to assess the effectiveness of the Board Committees on the following parameters:

Audit and Risk Committee

(a) Membership and appointments;
(b) Meetings;
(c) Training and resources;
(d) Financial reporting;
(e) Internal controls and risk management systems;
(f) Internal audit process;
(g) External audit process;
(h) Whistle-blowing;
(i) Relationship with the Board;
(j) Standards of conduct; and
(k) Communication with shareholders.

Nominating Committee

(a) Membership and appointments;
(b) Meetings;
(c) Training and resources;
(d) Reporting;
(e) Process for selection and appointment of new Directors;
(f) Board diversity;
(g) Nomination of Directors for re-election;
(h) Independence of Directors;
(i) Board performance evaluation;
(j) Succession planning;
(k) Director who has multiple board representations;
(l) Standards of conduct; and
(m) Communication with shareholders.

Remuneration Committee

(a) Membership and appointments;
(b) Meetings;
(c) Training and resources;
(d) Remuneration framework;
(e) Reporting;
(f) Standards of conduct; and
(g) Communication with shareholders.

CORPORATE **GOVERNANCE REPORT**

Based on the summary of evaluation for FY2020 together with the feedback and recommendations from members of the respective Board Committees, the NC is satisfied that each of the Board Committees had met its performance objective in FY2020.

The primary objective of the Board performance evaluation exercise is to create a platform for the Board and Board Committees members to provide constructive feedback on the Board procedures and processes, and the changes which should be made to enhance the effectiveness of the Board and Board Committees.

For FY2020, the Board did not engage any external facilitator in the assessment of the performance of the Board and Board Committees. (*Provision 5.2 of 2018 Code*)

The factors taken into consideration for the re-election or re-appointment of the Directors are, *inter alia*, contributions by the Directors to the effectiveness of the Board and their commitment to their role. (*Provisions 4.5 and 5.2 of 2018 Code*)

The Board is satisfied that all Directors and the Board Committees have discharged their duties adequately for FY2020 and expects that the Directors and the Board Committees will continue to discharge their duties adequately for the financial year ending 31 December 2021. (*Provision 5.2 of 2018 Code*)

II. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

The RC presently comprises four (4) Non-Executive Directors, the majority of whom, including the RC Chairman, are independent (*Provisions 1.4, 6.1 and 6.2 of 2018 Code*):

Mr. Chen Zhaohui, George (Chairman and Independent Director)
Ms. Tan Yee Peng (Member and Lead Independent Director)
Mr. Graham Macdonald Bell (Member and Independent Director)
Dr. Hedda Juliana im Brahm-Droege (Member and Non-Executive Director)

The principal duties of the RC include the following (*Provision 6.3 of 2018 Code*):

- To review and recommend to the Board a framework of remuneration and the specific remuneration packages for Directors (both Executive Directors and Non-Executive Directors) and the key management personnel;
- To ensure the level and structure of remuneration of the Board and the key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company;
- To monitor the level and structure of remuneration for key management personnel relative to internal and external peers and competitors;
- To review the remuneration of employees related to the Directors, CEO or substantial shareholders;
- To review the ongoing appropriateness and relevance of the Company's remuneration policy (including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind are covered) and other benefit programmes (where appropriate);

CORPORATE **GOVERNANCE REPORT**

- To oversee any major changes in employee benefits or remuneration structure;
- To review the design of all long-term and short-term incentive plans for approval by the Board and shareholders;
- To ensure contractual terms and any termination payments are fair to the individual and the Company;
- To set performance measures and determine targets for any performance-related pay schemes operated by the Company;
- To work and liaise, as necessary, with all other Board Committees on any other matters connected with remuneration matters; and
- To undertake such other functions and duties as may be required by the Board under the 2018 Code, statute or the SGX-ST Listing Manual.

The remuneration policy for key executives is based largely on the Group's performance and the responsibilities and performance of each individual key management personnel. In setting remuneration packages, the RC takes into consideration the pay and employment conditions within the industry and local practices. The RC recommends the remuneration packages of key management personnel for Board's approval. The members of the RC, who each have numerous years of experience in senior management positions and/or on the boards of other listed companies, collectively have strong management experience and expertise on remuneration matters. No remuneration consultants were engaged by the Company in FY2020 as the Company is of the view that the annual review by the RC is currently sufficient to ensure the continued relevance of its remuneration packages to the Group's strategic business objectives and alignment with market practices. (*Provision 6.4 of 2018 Code*)

The two (2) Executive Directors have each entered into separate service agreements with the Company. The service agreements cover their terms of employment, salaries and other benefits. A significant and appropriate proportion of executive directors' and key management personnel's remuneration is linked to performance. (*Provision 7.1 of 2018 Code*)

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 do not contain unfair and unreasonable termination clauses. (*Provision 6.3 of 2018 Code*)

Independent Directors/Non-Executive 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. (*Provision 7.2 of 2018 Code*) 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 Board is of the view that the current remuneration structure for the Executive Directors, CEO and key management personnel are appropriate to attract, retain and motivate Directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for the long term. (*Provision 7.3 of 2018 Code*)

The Dutech Group Performance Share Plan which was approved during the Company's initial public offering has expired. Currently, the Company does not have any employee share schemes or any other short-term or long-term incentive schemes but will review the feasibility of having such schemes when appropriate.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Company should be able to avail itself to remedies against these personnel in the event of such breach of fiduciary duties.

CORPORATE **GOVERNANCE REPORT**

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Information on the remuneration of Directors of the Company for FY2020 is as follows (*Provisions 8.1(a) and 8.3 of 2018 Code*):

Name of Directors	Remuneration $	Salary %	Bonus %	Fees %	Other Benefits %	Total %
Dr. Johnny Liu	316,743	44	51	–	5	100
Liu Bin	106,600	58	42	–	–	100
Tan Yee Peng	79,200	–	–	100	–	100
Graham Macdonald Bell	79,200	–	–	100	–	100
Chen Zhaohui, George	79,200	–	–	100	–	100
Christoph Hartmann	79,200	–	–	100	–	100
Dr. Hedda Juliana im Brahm-Droege	79,200	–	–	100	–	100

Information on the remuneration band of the key management personnel of the Company for FY2020 is as follows (*Provisions 8.1(b) and 8.3 of 2018 Code*):

Remuneration Band & Name of Key Management Personnel Salary

Remuneration Band & Name of Key Management Personnel	Salary %	Bonus %	Fees %	Other Benefits %	Total %
Below S$250,000					
Winson Chen Wenkun	64	20	–	16	100
Sunny Yu Tianzhao	55	24	–	21	100
Donia Dong Junxia	59	19	–	22	100
Jessica Shi Yi	79	8	–	13	100
Ge Chaofeng	57	22	–	21	100
Dr. Popof Wu Bo	74	9	–	17	100

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 FY2020 having regard to the highly competitive human resource environment and the sensitive and confidential nature of such information and disadvantages that might bring.

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

For FY2020, 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.

Save as disclosed above, there are no remuneration and other payments and benefits paid by the Company’s subsidiaries to Directors and key management personnel of the Company. (*Provision 8.2 of 2018 Code*)

Except for Dr. Johnny Liu and Mr. Liu Bin, there are no employees within the Group who are immediate family members of a Director or the CEO, or a substantial shareholder of the Company, whose remuneration exceeds S$100,000 during the financial year. (*Provision 8.2 of 2018 Code*)

CORPORATE **GOVERNANCE REPORT**

III. ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

The Directors recognise that they have the overall responsibility to ensure proper financial reporting for the Group and the adequacy and effectiveness of the Group's system of internal controls, including financial, operational, compliance and information technology controls, and risk management policies and systems.

The ARC assists the Board in providing oversight of risk management in the Company.

The Management and the Board regularly assess and review the Group's business and operational environment in order to identify areas of significant business risks and to determine the Group's levels of risk tolerance and risk policies as well as appropriate measures to control and mitigate these risks. (Provision 9.1 of 2018 Code)

The Board has received written assurance from the CEO and Chief Financial Officer that the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and written assurance from the CEO and the key management personnel that the Group's risk management and internal control systems are adequate and effective to address the key risks (including financial, operational, compliance and information technology risks) within the current scope of the Group's business operations. (*Provision 9.2(a) of 2018 Code*)

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management and various Board Committees, the Board (with concurrence of the ARC) is 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 2020. (*Provision 9.2(b) of 2018 Code*)

The Board notes that the 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. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud and/or other irregularities.

Audit and Risk Committee

Principle 10: The Board has an Audit and Risk Committee which discharges its duties objectively.

The ARC presently comprises four (4) Non-Executive Directors, the majority of whom, including the ARC Chairman are independent (*Provisions 1.4 and 10.2 of 2018 Code*):

Ms. Tan Yee Peng (Chairman and Lead Independent Director)
Mr. Graham Macdonald Bell (Member and Independent Director)
Mr. Chen Zhaohui, George (Member and Independent Director)
Mr. Christoph Hartmann (Member and Non-Executive Director)

The ARC Chairman, Ms. Tan Yee Peng, and Mr. Christoph Hartmann possess recent and relevant accounting and financial management and risk management expertise and experience, whilst the other two (2) members, Mr. Graham Macdonald Bell and Mr. Chen Zhaohui, George have financial and risk management background. Based on the current composition, the ARC believes it has the relevant accounting and related financial management expertise and experience to discharge its functions. (*Provision 10.2 of 2018 Code*) None of the ARC members were former partners or directors of the Company's existing auditing firm. (*Provision 10.3 of 2018 Code*)

CORPORATE **GOVERNANCE REPORT**

The duties of the ARC include the following (*Provision 10.1 of 2018 Code*):

- To review the financial reporting issues and judgements so as to ensure the integrity of the financial statements, and of announcements on the Company's financial performance and recommend changes, if any, to the Board;
- To review, at least annually, the adequacy and effectiveness of the Company's risk management and internal control systems (including financial, operational, compliance and information technology controls);
- To review the assurance from the CEO and the Chief Financial Officer on the financial records and financial statements;
- To recommend to the Board on (i) the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors; and (ii) the remuneration and terms of engagement of the external auditors;
- To review the adequacy, effectiveness, independence, scope and results of the Company's internal audit function;
- To review the scope and results of the external audit and the independence and objectivity of the external auditors;
- To ensure that the Company has programmes and policies in place to identify and prevent fraud;
- To oversee the establishment and operation of the whistleblowing process in the Company;
- To review all interested person transactions and related person transactions; and
- To undertake such other functions and duties as may be required by the Board under 2018 Code, statute or the SGX-ST Listing Manual.

The primary responsibility of the ARC is to provide support and assistance to the Board in ensuring that a high standard of corporate governance is maintained at all times. The ARC has full access to and co-operation by all management personnel and has full discretion to invite any Director and/or key management personnel to attend its meetings. The ARC is also accorded reasonable resources to enable it to discharge its functions properly, including but not limited to engaging professional advisers to assist in the review or investigation on such matters within its terms of reference as it deems appropriate.

The ARC 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 ARC meets with the external and internal auditors, without the presence of management, at least once a year. (*Provision 10.5 of 2018 Code*)

In the review of the financial statements for FY2020, the ARC has discussed the key audit matters with Management and the external auditor. The ARC is of the view that the estimates and assumptions made by management for impairment of non-financial assets and provision for onerous contracts (as detailed in Notes 2.34, 3, 4, 8 and 20) for the financial year ended 31 December 2020 are on the conservative end of a reasonable range of estimates. In view of the uncertainties brought about by COVID-19, the management is of the view that it is more prudent to be conservative in its estimates and assumptions, while keeping within reasonable range of estimates. The ARC concurred with the approach taken by management. The ARC also concurred with the basis and conclusions included in the Auditor's Report with respect to the key audit matters. For more information on the key audit matters, please refer to pages 32 to 35 of this Annual Report.

The ARC 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. 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. Employees who are aware of any possible improprieties may raise any concern directly with the ARC Chairman. (*Provision 10.1(f) of 2018 Code*)

CORPORATE **GOVERNANCE REPORT**

The ARC has conducted an annual review of the non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. Details of the aggregate amount of fees paid to the external auditors for FY2020 and a breakdown of the fees paid in total for audit and non-audit services respectively, can be found on page 103.

The external auditors, Crowe Horwath First Trust LLP has confirmed that they are registered with ACRA. The Company is therefore in compliance with the requirements of Rules 712 and 715 of the Listing Manual of the SGX-ST in relation to the appointment of its auditors.

Having considered the adequacy of resources, experience and competencies of Crowe Horwath First Trust LLP, and their independence and objectivity, the ARC has recommended to the Board the nomination of Crowe Horwath First Trust LLP for re-appointment as external auditors at the 2021 AGM.

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

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

During FY2020, the ARC outsourced the Group's internal audit function on its Asian operations to BDO LLP ("**BDO Singapore**"). (*Provision 10.4 of 2018 Code*) BDO Singapore undertook a review on the principal subsidiaries of the Group in Asia, namely Dutech Holdings Limited, Tri Star Inc., and Jiangsu Tri Star Technology Co., Ltd.

The Group's internal audit function for its Germany operations were outsourced to BDO AG Wirtschaftsprüfungsgesellschaft ("**BDO Europe**") for FY2020. (*Provision 10.4 of 2018 Code*) BDO Europe undertook internal audit reviews on Krauth Technology GmbH, Almex GmbH, Format Tresorbau GmbH & Co. KG and Deutsche Mechatronics GmbH.

The Internal auditors carried out its function in accordance with the standards set by nationally or internationally recognised 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 ARC 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 ARC.

The ARC annually reviews the adequacy and effectiveness of the internal audit function to ensure that the internal audits are performed effectively. The ARC is satisfied that the internal auditors are staffed by qualified and experienced personnel. (*Provision 10.1(e) of 2018 Code*)

IV. SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholders' rights and Conduct of General Meetings

Principle 11: The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

CORPORATE **GOVERNANCE REPORT**

Engagement with Shareholders

Principle 12: The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

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. (*Provision 12.1 of 2018 Code*)

Shareholders are encouraged to attend the AGM of the Company to ensure a greater level of shareholder participation and for them to be updated on the strategies and objectives of the Group. At the AGM of the Company, shareholders are given opportunity to air their views and ask questions on matters regarding the Group's business and its operations. (*Provisions 11.1 and 12.1 of 2018 Code*)

To facilitate participation by the shareholders, the Company's Constitution allows a shareholder to appoint not more than two (2) proxies to attend and vote at general meetings. Currently, the Company's Constitution does not allow a shareholder to vote in absentia as the authentication of shareholder identity information and other related security issues remains a concern. For the time being, the Board is of the view that the options (such as, attendance in persons or through proxy(ies)) available to shareholders are adequate to enable shareholders to participate in General Meetings of the Company. (*Provision 11.4 of 2018 Code*)

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

The Company provides for separate resolutions at general meetings on each distinct issue. All the resolutions at the general meetings are single item resolutions. Detailed information on each item in the AGM agenda is in the explanatory notes to the AGM Notice in the Annual Report. Resolutions are, as far as possible, structured separately and may be voted on independently. All voting is by poll and conducted in the presence of independent scrutineers for greater transparency and efficiency in the voting process. The results of the poll voting, showing the number of votes cast for and against each resolution and the respective percentages, are announced through SGXNet after the AGM. As the number of shareholders who attend the general meetings is not large, the Company believes it is not cost effective to have voting by electronic polling. (*Provision 11.2 of 2018 Code*)

The Directors, including the Chairperson of the ARC, 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. (*Provision 11.3 of 2018 Code*) The Board avail themselves after general meetings to solicit and understand the view of the shareholders. (*Provision 12.1 of 2018 Code*)

The Company Secretary prepares minutes of general meetings, which record substantial comments or queries from shareholders and responses from the Board and Management. These minutes are available to shareholders upon their request. (*Provision 11.5 of 2018 Code*)

In view of the COVID-19 pandemic, the AGM in year 2020 was held via electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "**Order**"). The Order also provides that the alternative arrangements apply to meetings held during the period commencing from 27 March 2020 and extended to 30 June 2021, providing the listed issuers with the option to conduct general meetings via electronic means.

Alternative arrangements relating to attendance at the AGM via electronic means i.e. live audio-visual webcast or live audio-only stream, submission of questions to the Company in advance of the AGM, addressing substantial and relevant questions prior to and at the AGM and appointing the Chairman of the AGM as the proxy at the AGM, were put in place. The minutes of the AGM held in year 2020 was uploaded to the Company's website and SGXNet within one month from the date of the AGM.

After due consideration of public health and other risks, the Company will hold its forthcoming AGM via electronic means. The Company will ensure that arrangements are in place to facilitate shareholders' participation.

CORPORATE **GOVERNANCE REPORT**

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

There is no formal dividend policy adopted by the Company. The Company declared and paid an interim dividend of S$0.01 per share for FY2020 on 27 November 2020. The Board, having reviewed the cashflow position and contingent liability of the Group, did not recommend any payment of final dividend for FY2020. (*Provision 11.6 of 2018 Code*)

V. MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

The Company has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. Such stakeholders include employees, customers and suppliers, government and regulators, community, and shareholders and investors. The Company engages its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders. (Provision 13.1 of 2018 Code)

Having identified the stakeholders and the material issues, the Company has mapped out the key areas of focus in relation to the management of the respective stakeholder relationships. (Provision 13.2 of 2018 Code)

Please refer to the Sustainability Report 2020 on pages 12 to 13 for details.

All material information on the performance and development of the Group and of the Company is disclosed in a timely, accurate and comprehensive manner through SGXNET and press releases. On the comprehensive company website (www.tristarinc.com), stakeholders can find explanations about our products, and various information on the Group, which serves as an important resource for investors and all stakeholders. (Provision 13.3 of 2018 Code)

INTERESTED PERSON TRANSACTIONS

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

The Company does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of the SGX-ST.

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: RMB4.2 million	NIL
Duowei Electromechanical (Tongzhou) Co., Ltd	Raw materials purchase RMB3.7 million	NIL

CORPORATE **GOVERNANCE REPORT**

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 half-year 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.

FURTHER **INFORMATION ON BOARD OF DIRECTORS**

Name of Director	Appointment	Current Directorships/Principal Commitments
Dr Johnny Liu	Executive Chairman and CEO	– Duowei Electromechanical (Tongzhou) Co., Ltd. – Nantong Mayway Products Corp. – Spectacular Bright Corp. – Tri Star International Co., Ltd. – Tri Star Shanghai Electronics – TSI Metals Corp. – TSI Metals HK Limited – European Security Systems Association (ESSA)
Mr Liu Bin	Executive Vice-Chairman	– Willalpha International Limited – Wellwield Investment Holdings Pte Limited – Nantong Mayway Products Corp. – Nantong Wiedson Hi-Wits Precision Co., Ltd. – Kewell Products Corporation
Dr. Hedda Juliana im Brahm-Droege	Non-Executive Director Board Committee(s) served on: – Remuneration Committee	– Droege Group AG* (*Holding Company with numerous group companies) – 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. – Dr. im Brahm Immobilien Management GmbH – Stiftung Kunst und Musik Dresden – Board of Trustees Kunstsammlung Nordrhein-Westfalen
Mr Christoph Hartmann	Non-Executive Director Board Committee(s) served on: – Audit and Risk Committee	– Droege Group AG* (*Holding Company with numerous group companies) – Droege Real Estate Holding GmbH* (*Holding Company with numerous group companies) – Special Energy Holding GmbH – Special Multi-Channel Holding GmbH – Special Technology Holding GmbH – Special Ventures Holding GmbH – Helis S.A. – Special Care Holding GmbH – Special Purpose Fünf Holding GmbH – Trenkwalder Personaldienste GmbH, Vienna (Austria) – Special Purpose Sieben Holding GmbH

FURTHER **INFORMATION ON BOARD OF DIRECTORS**

Name of Director	Appointment	Current Directorships/Principal Commitments
Ms Tan Yee Peng	Lead Independent Director Board Committee(s) served on: – Audit and Risk Committee (Chairman) – Nominating Committee – Remuneration Committee	– Vanguard Health Fund Limited – Pureland Learning Society – Council for Agency for Care Effectiveness, Ministry of Health – Vanguard Healthcare Medifund Committee – Hercules Pte Ltd – 1FSS Pte Ltd – MOH Holdings Pte Ltd
Mr Graham Macdonald Bell	Independent Director Board Committee(s) served on: – Nominating Committee (Chairman) – Audit and Risk Committee – Remuneration Committee	– Asian Alchemy Ltd – Churchmead Group Ltd – Display Enterprises Ltd – ERC Equipoise Pte Ltd – Graham Bell & Associates Ltd – Graham Bell & Associates Pte Ltd – The Glengarry Group Ltd – The Lemuria Group Ltd – Marine Claims Office of Asia Pte Ltd – Premium Gain International Pte Ltd – Peak Helium Pte Ltd – Peak Helium Pty Ltd (Australia)
Mr Chen Zhaohui, George	Independent Director Board Committee(s) served on: – Remuneration Committee (Chairman) – Audit and Risk Committee – Nominating Committee	– Trimble Navigation Limited – Trimble Electronic Products (Shanghai) Co., Ltd. – Trimble Leading Electronic Technology (Shanghai) Co., Ltd.

DIRECTORS' **STATEMENT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The directors present their statement to the members together with the audited financial statements of Dutech Holdings Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2020 and the statement of financial position and the statement of changes in equity of the Company as at 31 December 2020.

In the opinion of the directors,

(a) the statement of financial position and the statement of changes in equity of the Company and the consolidated financial statements of the Group as set out on pages 38 to 124 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 2020 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended; and

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

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

Directors

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

Dr. Johnny Liu
Liu Bin
Tan Yee Peng
Graham Macdonald Bell
Chen Zhaohui, George
Christoph Hartmann
Dr. Hedda Juliana im Brahm-Droege

Directors' interests in shares or debentures

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

	Direct interests			Deemed interests		
	At 1 January 2020	At 31 December 2020	At 21 January 2021	At 1 January 2020	At 31 December 2020	At 21 January 2021
Company						
Ordinary shares						
Dr. Johnny Liu	–	–	**–**	152,438,956	152,438,956	**152,438,956**
Liu Bin	–	–	**–**	56,282,864	56,282,864	**56,282,864**
Dr. Hedda im Brahm-Droege	–	–	**–**	28,536,000	31,509,000	**31,509,000**
Graham Macdonald Bell	–	–	**–**	17,000	17,000	**17,000**

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

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.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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 and Risk Committee

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

Tan Yee Peng	(Chairman and Lead Independent Director)
Graham Macdonald Bell	(Independent Director)
Chen Zhaohui, George	(Independent Director)
Christoph Hartmann	(Non-Executive, Non-Independent Director)

The Audit and Risk 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 and Risk Committee reviewed:

– the scope and the results of internal audit procedures with the internal auditors;

– the audit plan of the Company's external auditors and any recommendations on internal accounting controls arising from the statutory audit;

– the assistance given by the Company's management to the internal and external auditors;

– the periodic results announcements prior to their submission to the Board of Directors for approval;

– the statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2020 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).

The Audit and Risk Committee has reviewed the independence of the auditors, Crowe Horwath First Trust LLP, as required under Section 206(1A) of the Singapore Companies Act, Cap. 50, and determined that the auditors were independent in carrying out their audit of the financial statements. Accordingly, they have recommended to the Board of Directors that the auditors, Crowe Horwath First Trust LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing the external auditors for the Company and its subsidiaries, the directors have complied with Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

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

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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
Director

LIU BIN
Director

6 April 2021

INDEPENDENT AUDITOR'S **REPORT**

TO THE MEMBERS OF DUTECH HOLDINGS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dutech Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 38 to 124, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes of equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

Basis for Opinion

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

Key Audit Matters

Key audit matters are the matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matters.

INDEPENDENT AUDITOR'S **REPORT**

TO THE MEMBERS OF DUTECH HOLDINGS LIMITED

Key Audit Matters (Continued)

Impairment of non-financial assets *Refer to following notes to the financial statements:* *Note 2.34 "Critical accounting estimates, assumptions and judgements"* *Note 3 "Property, plant and equipment", Note 4 "Right-of-use assets" and Note 8 "Intangible Assets"*	
Key audit matter	***How the matter was addressed in our audit***
As at 31 December 2020, the carrying value of the Group's right-of-use assets, plant and equipment and intangible assets were RMB73,734,000, RMB292,603,000 and RMB37,041,000 representing to the CGU 4%, 17% and 2% respectively of the Group's total assets. The Group's cash generating unit ("CGU") headquartered in United Kingdom (within the Business Solutions segment) was impacted by the COVID-19 pandemic and incurred loss and generating negative operating cash flows. Accordingly, management identified that the related right-of-use assets, plant and equipment and intangible assets pertaining to the CGU have indicators of impairment and performed impairment test to determine the recoverable amount. Management determined the recoverable amounts of CGU based on value in use calculations, which require management to apply judgements and make assumptions on the projected cash flows. Based on management's impairment assessment, the Group has recognised impairment losses in current financial year of RMB8,175,000, RMB1,602,000 and RMB11,435,000 for the right-of-use assets, plant and equipment, and intangible assets respectively pertaining to the CGU. As disclosed in Note 8 to the financial statements, due to significant management's estimation involved in the key inputs used in the cash flows projection, this is a key audit matter given changes in the key inputs in the estimation process would affect significantly the quantum of impairment losses of these non-financial assets.	Our audit effort was focused on the management's application of judgement and use of assumptions in making the estimates. Our audit procedures amongst others, include the following: • Obtained an understanding of management's assessment process, including the appropriateness of method adopted and the reasonableness of the significant assumptions and data used to calculate value in use. • Challenged management's key assumptions such as sales growth rates and discount rate. Analysed historical financial performance of the CGU and anticipated changes in the business environment to assess reasonableness of revenue growth rates, gross profit margin assumptions and relevant operating expenses of the CGU. • Obtained discount rate of the Group from external data service provider as proxy to assess reasonableness of the discount rate adopted by management. • Performed retrospective review on management's financial budget and forecasts in the past years to evaluate the degree of accuracy and achievability of financial forecasts prepared by management. • Tested mathematical accuracy of the discounted cash flows model. • Performed sensitivity analyses and derived a range of values in use, by varying the key assumptions ie sales growth rates and discount rate using different plausible scenarios. • Reviewed the adequacy of disclosures made on the impairment of these non-financial assets in Note 3, Note 4 and Note 8 to the financial statements. Based on the results of our audit procedures, we are satisfied that the judgements and estimations applied by the Group were within the reasonable range. We also considered the disclosures in the consolidated financial statements to be appropriate.

INDEPENDENT AUDITOR'S **REPORT**

TO THE MEMBERS OF DUTECH HOLDINGS LIMITED

Key Audit Matters (Continued)

Provision for Onerous Contracts and Allowance for Stock Obsolescence
Refer to following notes to the financial statements:
Note 2.34 "Critical accounting estimates, assumptions and judgements"
Note 20 "Provisions" and Note 10 "Inventories"

Key audit matter	***How the matter was addressed in our audit***
During the current financial year, several sales orders were either cancelled or deferred by the overseas customers including those with businesses affected during the COVID-19 pandemic. The sales cancellations and/or deferments have caused progressive suspension in the initial production plan which has resulted in non-fulfilment of purchase orders previously committed by the Group to its major suppliers and stock obsolescence for the goods received on fulfilled purchase orders. During the year, three subsidiaries of the Group in PRC received multiples claims from the suppliers demanding for compensations for the investment expenditure incurred in preparing the raw materials as well as the unfulfilled purchase orders previously committed by the Group. Management recognised the provision for onerous contracts after determining that the Group has present obligations due to past events resulting in probable outflows of economic benefits which can be reliably measured as at the reporting date. As at 31 December 2020, the Group has made a provision for onerous contracts totaling RMB27,166,000 and recorded an inventories balance at carrying amount of RMB319,956,000 after adjusting for additional allowance of stock obsolescence amounting to RMB14,333,000 following the cancellation and deferment of sales orders. The determination of provision for onerous contracts and allowance for obsolete stocks requires management to exercise significant judgement and make relevant estimation in identifying and measuring the quantum of these exposure in respect of the consolidated financial statements of the Group. Given the extent of uncertainties associated with management's judgement and the relevant accounting estimates, we have therefore considered this to be one of the key audit matters.	Our audit focus was on the assessment of management's judgement and reasonableness of the amounts of provisions made by management. Our audit procedures include, amongst others: • Reviewed notices of cancellations/deferment of sales orders from customers to determine the timeline of events leading up to non-fulfillment of purchase commitment by the Group. • Studied master supply contracts entered by the Group with its major suppliers to understand the contractual obligations of parties to the contract. Identified clauses or conditions of defaults which trigger a legal obligation on part of the purchaser. • Sought legal view from the local solicitor to ensure consistent interpretation of relevant clauses in the master contracts and/or purchase orders giving rise to a legal obligation in the context of local PRC law. • Conduct a search in the local provincial legal database to ensure there is no impending or open legal claims filed by suppliers against the three subsidiaries of the Group. We further validated purchase commitment of the Group by extending our audit procedures into the following: **(a) <u>Unfulfilled purchase orders</u>** – Verified the amount of provision for claims to suppliers' letters of demand, open purchase orders as well as examined the date of written correspondences to establish the timing of which the three subsidiaries were bound by the default clauses in the master supply agreement and liable for their purchase commitment. – Reviewed written correspondences between the Group and the suppliers to determine the amount of purchase commitment and verified the purchase commitment to the complete list of purchase orders raised by the Group.

INDEPENDENT AUDITOR'S **REPORT**

TO THE MEMBERS OF DUTECH HOLDINGS LIMITED

Key Audit Matters (Continued)

Provision for Onerous Contracts and Allowance for Stock Obsolescence (Continued)
Refer to following notes to the financial statements:
Note 2.34 "Critical accounting estimates, assumptions and judgements"
Note 20 "Provisions" and Note 10 "Inventories"

Key audit matter	***How the matter was addressed in our audit***
	(a) **Unfulfilled purchase orders** (Continued) – Inquiry with management's next course of actions in addressing these suppliers' claims so as to ensure that the provisional amount made is in congruent with management's decision to resolve these claims. – Where available, reviewed subsequent payments for the suppliers' claims to ensure completeness of provision recorded. **(b)** **Fulfilled purchase orders** – Obtained a list of fulfilled purchase orders pertaining to these suppliers. – Reviewed the purchase orders which have been fulfilled by the suppliers to the Group's inventory system as evidence that the raw materials ordered were received. – Identified stocks received in the list of inventories as at year end and made inquiry with management to identify raw materials which cannot be utilised or converted into other saleable finished products so as to determine the adequacy of allowance required. – Corroborated the obsolete stocks as a result of sales cancellation identified by management with that of obsolete stocks noted during the stock count observation attended by us. – Verified management's quantification of inventory obsolescence, on a sampling basis, to the stock quantities and cost of purchase. Based on our audit procedures, we are satisfied that the judgements and estimations applied by the management were consistent with evidence substantiating the developments of suppliers' claims. We also considered the disclosures in the consolidated financial statements to be appropriate.

INDEPENDENT AUDITOR'S **REPORT**

TO THE MEMBERS OF DUTECH HOLDINGS LIMITED

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

INDEPENDENT AUDITOR'S **REPORT**

TO THE MEMBERS OF DUTECH HOLDINGS LIMITED

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Teo Yen Lin.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

6 April 2021

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"))

	Note	Group 2020 RMB'000	Group 2019 RMB'000	Company 2020 RMB'000	Company 2019 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	3	**292,603**	305,790	**–**	–
Right-of-use assets	4	**73,734**	117,698	**–**	–
Land use rights	5	**–**	–	**–**	–
Subsidiaries	6	**–**	–	**256,440**	273,532
Associates	7	**8,088**	8,607	**–**	–
Intangible assets	8	**37,041**	55,863	**–**	–
Deferred tax assets	9	**15,474**	1,486	**–**	–
		426,940	489,444	**256,440**	273,532
Current assets					
Inventories	10	**319,956**	367,768	**–**	1,860
Contract assets	28	**27,400**	25,337	**–**	–
Trade receivables	11	**297,445**	263,296	**9,856**	35,766
Other receivables, deposits and prepayments	12	**16,267**	12,376	**–**	–
Advances to suppliers		**41,509**	23,703	**–**	–
Due from subsidiaries	13	**–**	–	**45,467**	28,370
Financial assets, at FVOCI	14	**–**	2,404	**–**	–
Financial assets, at FVPL	15	**–**	17,656	**–**	–
Cash and bank balances	16	**538,065**	448,421	**57,765**	48,263
Derivative financial instruments	17	**6,590**	2,606	**–**	–
		1,247,232	1,163,567	**113,088**	114,259
TOTAL ASSETS		**1,674,172**	1,653,011	**369,528**	387,791
LIABILITIES					
Current liabilities					
Contract liabilities	28	**58,079**	95,953	**–**	30
Trade payables	18	**130,665**	124,256	**3,672**	2,095
Other payables and accruals	18	**124,278**	115,391	**5,256**	6,723
Borrowings	19	**122,144**	129,626	**–**	–
Provisions	20	**32,450**	–	**–**	–
Due to related parties	13	**7,363**	7,790	**6,527**	6,842
Due to subsidiaries	13	**–**	–	**74,103**	76,419
Income tax payable		**4,397**	8,070	**393**	853
		479,376	481,086	**89,951**	92,962
Non-current liabilities					
Deferred tax liabilities	9	**24,364**	24,057	**–**	–
Borrowings	19	**48,554**	65,130	**–**	–
Deferred income	21	**10,526**	11,212	**–**	–
Pension liability	22	**83,090**	79,997	**–**	–
		166,534	180,396	**–**	–
TOTAL LIABILITIES		**645,910**	661,482	**89,951**	92,962
NET ASSETS		**1,028,262**	991,529	**279,577**	294,829

STATEMENTS OF **FINANCIAL POSITION** (Continued)

AS AT 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"))

		Group		Company	
	Note	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	23	**154,623**	154,623	**154,623**	154,623
Capital reserve	24	**191,236**	172,946	**–**	–
Statutory reserve	25	**89,802**	76,711	**–**	–
Merger deficit	26	**(13,029)**	(13,029)	**–**	–
Retained earnings		**586,971**	568,172	**127,911**	123,682
Translation reserve		**21,063**	31,602	**(2,957)**	16,524
Fair value (deficit)/reserve	27	**(2,404)**	504	**–**	–
TOTAL EQUITY		**1,028,262**	991,529	**279,577**	294,829

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 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"))

	Note	2020 RMB'000	2019 RMB'000
Revenue	28	**1,762,940**	1,882,159
Cost of sales		**(1,264,899)**	(1,354,986)
Gross profit		**498,041**	527,173
Other income	29	**31,957**	25,313
Selling and distribution expenses		**(104,606)**	(99,394)
Administrative expenses		**(252,481)**	(273,911)
Finance income		**6,038**	4,701
Finance costs		**(8,095)**	(11,841)
Finance costs, net	31	**(2,057)**	(7,140)
Other expenses	32	**(85,133)**	(45,134)
(Allowance for)/Reversal of impairment of financial assets	40(iii)	**(4,823)**	4,269
Share of profits of associates	7	**1,281**	332
Profit before tax	33	**82,179**	131,508
Income tax	34	**(8,853)**	(52,399)
Profit for the year		**73,326**	79,109
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation		**(10,539)**	2,007
Financial assets, at FVOCI			
– Debt investment – net change in fair value		**–**	488
– Debt investment – reclassified to profit or loss		**(504)**	700
		(11,043)	3,195
Items that will not be reclassified subsequently to profit or loss			
Re-measurement (losses)/gains on defined benefit pension scheme	22	**(5,981)**	5,173
Movement of deferred tax relating to pension deficit	9	**–**	(1,863)
Equity investment at FVOCI – net change in fair value	14	**(2,404)**	–
		(8,385)	3,310
Other comprehensive (loss)/income, net of tax		**(19,428)**	6,505
Total comprehensive income for the year		**53,898**	85,614
Profit attributable to:			
Equity holders of the Company		**73,326**	79,109
Total comprehensive income attributable to:			
Equity holders of the Company		**53,898**	85,614
Earnings per share (cents)			
Basic and diluted	35	**20.57**	22.19

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"))

2020
Group

	Note	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Merger deficit RMB'000	Retained earnings RMB'000	Translation reserve RMB'000	Fair value (deficit)/ reserve RMB'000	Total equity RMB'000
		Attributable to equity holders of the Company							
Balance at 1 January 2020		**154,623**	**172,946**	**76,711**	**(13,029)**	**568,172**	**31,602**	**504**	**991,529**
Profit for the year		–	–	–	–	73,326	–	–	73,326
Other comprehensive loss:									
– Foreign currency translation differences		–	–	–	–	–	(10,539)	–	(10,539)
– Financial assets, at FVOCI – reclassified to profit or loss		–	–	–	–	–	–	(504)	(504)
– Financial assets, at FVOCI – net change in fair value		–	–	–	–	–	–	(2,404)	(2,404)
– Defined benefit plan measurements		–	–	–	–	(5,981)	–	–	(5,981)
Other comprehensive loss, net of tax		–	–	–	–	(5,981)	(10,539)	(2,908)	(19,428)
Total comprehensive income/(loss) for the year		–	–	–	–	67,345	(10,539)	(2,908)	53,898
Transfer to statutory reserve		–	–	13,091	–	(13,091)	–	–	–
Transfer to capital reserve		–	18,290	–	–	(18,290)	–	–	–
Dividends declared	36	–	–	–	–	(17,165)	–	–	(17,165)
Total distributions to owners		–	18,290	13,091	–	(48,546)	–	–	(17,165)
Balance at 31 December 2020		**154,623**	**191,236**	**89,802**	**(13,029)**	**586,971**	**21,063**	**(2,404)**	**1,028,262**

2019
Group

	Note	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Merger deficit RMB'000	Retained earnings RMB'000	Translation reserve RMB'000	Fair value (deficit)/ reserve RMB'000	Total equity RMB'000
		Attributable to equity holders of the Company							
Balance at 1 January 2019		154,623	33,056	62,393	(13,029)	658,601	29,595	(684)	924,555
Profit for the year		–	–	–	–	79,109	–	–	79,109
Other comprehensive income:									
– Foreign currency translation differences		–	–	–	–	–	2,007	–	2,007
– Financial assets, at FVOCI – net change in fair value		–	–	–	–	–	–	488	488
– Financial assets, at FVOCI – reclassified to profit or loss		–	–	–	–	–	–	700	700
– Defined benefit plan measurements		–	–	–	–	3,310	–	–	3,310
Other comprehensive income, net of tax		–	–	–	–	3,310	2,007	1,188	6,505
Total comprehensive income for the year		–	–	–	–	82,419	2,007	1,188	85,614
Transfer to statutory reserve		–	–	14,318	–	(14,318)	–	–	–
Transfer to capital reserve		–	139,890	–	–	(139,890)	–	–	–
Dividends declared	36	–	–	–	–	(18,640)	–	–	(18,640)
Total distributions to owners		–	139,890	14,318	–	(172,848)	–	–	(18,640)
Balance at 31 December 2019		154,623	172,946	76,711	(13,029)	568,172	31,602	504	991,529

STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"))

	Note	Share capital RMB'000	Retained earnings RMB'000	Translation reserve/ (deficit) RMB'000	Total equity RMB'000
Company					
Balance at 1 January 2020		**154,623**	**123,682**	**16,524**	**294,829**
Profit for the year		**–**	**21,394**	**–**	**21,394**
Other comprehensive loss, net of tax – Foreign currency translation differences		**–**	**–**	**(19,481)**	**(19,481)**
Total comprehensive income for the year		**–**	**21,394**	**(19,481)**	**1,913**
Total distributions to owners					
Dividends declared	36	**–**	**(17,165)**	**–**	**(17,165)**
Balance at 31 December 2020		**154,623**	**127,911**	**(2,957)**	**279,577**
Balance at 1 January 2019		154,623	117,069	11,588	283,280
Profit for the year		–	25,253	–	25,253
Other comprehensive income, net of tax – Foreign currency translation differences		–	–	4,936	4,936
Total comprehensive income for the year		–	25,253	4,936	30,189
Total distributions to owners					
Dividends declared	36	–	(18,640)	–	(18,640)
Balance at 31 December 2019		154,623	123,682	16,524	294,829

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"))

	Note	2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Profit before tax		**82,179**	131,508
Adjustments:			
Depreciation of property, plant and equipment	3	**30,982**	33,466
Depreciation of right-of-use assets	4	**16,987**	18,832
Amortisation of intangible assets	8	**13,722**	18,130
Amortisation of deferred government grants	21	**(686)**	(686)
Impairment of property, plant and equipment	3	**1,602**	1,581
Impairment of right-of-use assets	4	**8,175**	9,496
Impairment of intangible assets	8	**11,435**	32,486
Allowance for/(Reversal of) impairment of financial assets	40(iii)	**4,823**	(4,269)
Write-down of right-of-use assets	32	**22,000**	–
Share of profits of associates	7	**(1,281)**	(332)
Loss on disposal of property, plant and equipment	32	**239**	89
Loss on disposal of financial assets, at fair value	32	**48**	399
Fair value gain on forward contracts	29	**(3,984)**	(2,606)
Gain on settlement of forward currency contracts	29	**(8,421)**	(484)
Provision for onerous contracts	32	**27,166**	–
Interest expenses	31	**8,095**	11,841
Interest income	31	**(6,038)**	(4,701)
Foreign exchange differences		**(1,488)**	(931)
Operating profit before working capital changes		**205,555**	243,819
Inventories		**50,980**	44,967
Contract assets		**(1,446)**	13,534
Trade receivables		**(38,602)**	(54,272)
Other receivables, deposits and prepayments		**(3,941)**	(8,398)
Advances to suppliers		**(17,796)**	(2,660)
Contract liabilities		**(38,888)**	20,824
Trade payables		**6,576**	(2,831)
Other payables and accruals		**11,014**	8,106
Pension liability		**(2,810)**	(3,049)
Derivative financial instruments – forward currency contracts		**8,421**	484
Due to related parties		**(112)**	680
Cash generated from operations		**178,951**	261,204
Income tax paid		**(27,023)**	(25,828)
Net cash from operating activities		**151,928**	235,376

CONSOLIDATED STATEMENT OF **CASH FLOWS** (Continued)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"))

	Note	2020 RMB'000	2019 RMB'000
Cash flows from investing activities			
Interest received		**6,038**	4,701
Proceeds from disposal of property, plant and equipment		**635**	6,707
Purchase of property, plant and equipment	3	**(17,606)**	(26,935)
Addition of intangible assets	8	**(5,962)**	(16,827)
Proceeds from disposal of financial assets, at FVPL	15	**1,647,073**	1,105,817
Purchase of financial assets, at FVPL	15	**(1,630,100)**	(1,105,888)
Acquisition of business	6	**–**	(2,325)
Dividends received from associate	7	**1,798**	–
Net cash from/(used in) investing activities		**1,876**	(34,750)
Cash flows from financing activities			
Dividends paid (Note A below)		**(17,050)**	(20,163)
Interest paid		**(4,109)**	(7,229)
Withdrawal of pledged deposits	16	**2,998**	5,706
Proceeds from borrowings		**54,506**	142,952
Repayment of borrowings		**(85,624)**	(205,832)
Net financing cash flows related to borrowings		**(31,118)**	(62,880)
Net cash used in financing activities		**(49,279)**	(84,566)
Net increase in cash and cash equivalents		**104,525**	116,060
Effect of exchange rate changes in cash and cash equivalents		**(11,883)**	2,786
Cash and cash equivalents at beginning of the year		**406,541**	287,695
Cash and cash equivalents at end of the year	16	**499,183**	406,541

Note A

Interim dividend declared during the year	36	**17,165**	18,640
Add: Repayment of prior year declared dividend		**6,842**	9,069
Less: Amount of current year dividend payable to a shareholder cum director	13(iii)	**(6,527)**	(6,842)
Currency translation difference		**(430)**	(704)
Dividend paid		**17,050**	20,163

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

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

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

1. GENERAL INFORMATION

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

The principal activities of the Company are investment holding and general wholesale of high security products. The principal activities of its subsidiaries are disclosed in Note 6. The controlling shareholder of the Company is Spectacular Bright Corp., incorporated in British Virgin Islands, and is controlled by the Group's Chairman and CEO, Dr. Johnny Liu.

The financial statements for the financial year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 6 April 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Impact of COVID-19

The COVID-19 pandemic has affected almost all countries of the world and resulted in border closures, production stoppages, workplace closures, movement control and other measures imposed by various governments.

Set out below is the impact of COVID-19 on the Group's financial performance for the year ended 31 December 2020:

(i) The Group has assessed that the going concern basis of preparation for this set of financial statements remains appropriate.

(ii) In 2020, the border closures, work stoppages and office closures have resulted in periods where the Group's operations were temporarily suspended to adhere to the respective government's movement control measures. These have caused disruptions to the business operations, resulting in a negative impact on the Group's financial performance as a whole for 2020.

(iii) The Group has considered the market conditions (including the impact of COVID-19) as at the reporting date, in making estimates and judgements on the recoverability of the assets as at 31 December 2020. Significant estimates and judgements applied by management in assessing the impairment of trade receivables, non-financial assets, including goodwill and investment in subsidiaries are disclosed in this Note.

As the global COVID-19 situation remains very fluid and at date of the authorisation of these financial statements, the Group is unable to reasonably ascertain the full extent of the probable impact of the COVID-19 disruptions on its operating and financial performance going forward. If the situation persists beyond management's current expectations, the Group's assets may be subject to further write downs in the subsequent financial periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 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 Singapore Financial Reporting Standards (International) ("SFRS(I)s"). 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 SFRS(I)s 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 2.34.

2.3 Adoption of new and revised standards

On 1 January 2020, the Group adopted the new or amended SFRS(I)s and Interpretations of SFRS(I) ("SFRS(I) INT") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and SFRS(I) INT. The adoption of these new or amended SFRS(I)s and SFRS(I) INT 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.

2.4 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**
Amendment to SFRS(I) 16: *COVID-19 — Related Rent Concessions*	1 June 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4, SFRS(I) 16: *Interest Rate Benchmark Reform — Phase 2*	1 January 2021
Amendment to SFRS(I) 16: *COVID-19 — Related Rent Concessions beyond 30 June 2021*	1 April 2021
Amendments to SFRS(I) 3: *Reference to the Conceptual Framework*	1 January 2022
Amendments to SFRS(I) 1-16: *Property, Plant and Equipment—Proceeds before Intended Use*	1 January 2022
Amendments to SFRS(I) 1-37: *Onerous Contracts—Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
– Amendments to SFRS(I) 1: *First-time Adoption of SFRS(I)*	
– Amendments to SFRS(I) 9: *Financial Instruments*	
– Amendments to Illustrative Examples accompanying SFRS(I) 16: *Leases*	
– Amendments to SFRS(I) 1-41: *Agriculture*	
Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-Current*	1 January 2023
SFRS(I) 17: *Insurance Contracts*	1 January 2023
Amendments to SFRS(I) 10 and SFRS(I) 1-28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

Except for Amendments to SFRS(I) 1-37, 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 the impending changes in accounting policy on adoption of Amendments to SFRS(I) 1-37 is described below.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Standards issued but not yet effective (Continued)

Amendments to SFRS(I) 1-37: *Onerous Contracts—Cost of Fulfilling a Contract*

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts (example given is allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments are effective for annual periods beginning on or after 1 January 2022. The Group will apply these amendments when it becomes effective in 2022 and will apply the modified retrospective approach for the transition.

2.5 Group accounting

(i) Subsidiaries

(a) Basis of consolidation

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another 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.

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.

(b) Acquisition of businesses

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.

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 and any pre-existing equity interests in the subsidiary measured at their fair values at the acquisition date. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed as incurred.

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

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

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Group accounting (Continued)

(i) Subsidiaries (Continued)

(b) Acquisition of businesses (Continued)

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

(c) Disposals of subsidiaries or businesses

The assets and liabilities of the subsidiary, including any goodwill, are derecognised when a change in the Company's ownership interest in a subsidiary result in a loss of control over the subsidiary. Amounts previously 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.

(ii) Associates

Associates are entities over which the Group exercises significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above. 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.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of its associates' post-acquisition profits or losses of the investees' profit or loss and its share of movements in other comprehensive income of the investees' other comprehensive income. Dividends received or receivable from the associate is recognised as a reduction of carrying amount of the investment. When the Group's share of losses in associates equals or exceeds its interest in the associates, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has legal or constructive obligations or has made payments on behalf of the associates. If the associate subsequently reports profits, the Group resumes recognising its share of these profits after its share of the profit equals the share of losses not recognised.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Group accounting (Continued)

(ii) Associates (Continued)

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 interest at the date when significant influence is lost and its fair value and any proceeds on partial disposal 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.

2.6 Subsidiaries and associates

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

2.7 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 United States dollar.

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

(ii) Transactions and balances

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

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

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

The assets and liabilities of foreign operations and the Company are translated into RMB at the rate of exchange ruling at the reporting date and their profit or loss are 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 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 are required to be replaced in intervals, the Group recognises such parts as individual assets with specific lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance expenses are recognised in profit or loss when incurred.

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

Construction in progress includes all costs of construction and other direct costs. Construction in progress is reclassified to the appropriate category of property, plant and equipment when complete and ready to use. Freehold land and construction in progress are not depreciated.

All other items of property, plant and equipment are depreciated using the straight-line method to write off the cost of the assets less estimated residual value over their estimated useful lives as follows:

	Useful lives (Years)	Estimated residual value as a percentage of cost (%)
Buildings and improvements	20	0% – 10%
Plant and machinery	5 to 20	0% – 10%
Office equipment and fittings	3 to 5	0% – 10%
Motor vehicles	3 to 5	0% – 10%

The residual value, estimated useful life and depreciation method are reviewed periodically, and adjusted as appropriate, 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 of an item of property, plant and equipment 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)".

2.9 Land use rights (before 1 January 2019)

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. Land use rights is classified within 'Rights-of-Use assets'.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Intangible assets

(i) Goodwill

Goodwill on acquisitions of business, represents the excess of (i) the sum 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 (ii) the fair value of the identifiable net assets acquired.

Goodwill is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold.

Goodwill is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from synergies arising from the business combination. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount of CGU, an impairment loss is recognised in profit or loss. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value in use. The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU on pro-rata basis of the carrying amount of each asset in the CGU. Impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill forms part of a CGU and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the CGU retained.

(ii) Other intangible assets

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

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

Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment (as described in Note 2.11) 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.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Intangible assets (Continued)

(ii) Other intangible assets (Continued)

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

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. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate it has sufficient resources and technical feasibility of completing the intangible asset so that it will be available for use or sale, to generate future economic benefits. Development costs comprise costs that are directly attributable to development activities or that can be allocated on reasonable basis to such activities. Following initial recognition of the 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. 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, patent and trademark

Technical know-how, patent and trademark were acquired separately or through business combination and is initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost is amortised to profit or loss using the straight-line method over the expected sales (5 to 10 years), which is the shorter of their estimated useful lives and periods of contractual rights.

(c) Customer relationship

Customer relationship acquired in a business combination that qualifies for separate recognition are recognised as intangibles asset at fair value.

Customer relationship is subsequently stated at cost less accumulated amortisation and accumulated impairment losses. Customer relationship has finite useful life and it is amortised using straight-line method over useful life of 10 years.

(d) Domain and online content

The e-commerce online platform with its domain and online content acquired through a business combination are initially recognised at fair value based on price allocation from a business combination. The e-commerce online platform and contents are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost is amortised to profit or loss using the straight-line method over the estimated useful lives of 10 years.

NOTES TO **THE FINANCIAL STATEMENTS**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Intangible assets (Continued)

(ii) Other intangible assets (Continued)

(e) Non-compete agreement

Non-compete agreement is a covenant to a business combination that restricts the seller of a business from competing with that business in the future. Non-compete agreement is initially recognised at fair value based on price allocation from a business combination and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost is amortised to profit or loss using the straight-line method over 3 years, which is the specified period of time according to the sale and purchase agreement.

2.11 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 ("CGU") 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 independent on those from other assets. Where the carrying amount of an asset or CGU 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 CGUs 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.

For assets excluding goodwill, 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 CGU'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.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets and liabilities

(i) Initial recognition and measurement

Trade receivables are initially recognised when they are originated. Other financial assets and financial liabilities 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.

Trade receivables without financing component is initially measured at the transaction price in accordance with SFRS(I) 15. Other financial assets or financial liabilities are initially recognised at fair value plus, in the case of financial assets or liabilities not at fair value through profit or loss, directly attributable transaction costs.

(ii) Classification and subsequent measurement

Financial assets

Financial assets are classified and subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, at the following categories:

- Amortised costs
- Fair value through Other Comprehensive Income (FVOCI) – Debt investments
- FVOCI – Equity investments
- Fair value through profit or loss (FVPL)

Financial assets are not reclassified after initial recognition unless the Group changes its business model for managing financial assets, in which case such reclassification will be applied prospectively from the reclassification date.

Financial assets at amortised costs

Unless designated at FVPL, financial assets are measured at amortised costs if:

– It is held within a business model with an objective to hold the assets to collect contractual cash flows; and

– Its contractual cash flows comprise of solely principal and interest on the principal amount outstanding

These assets, mainly trade and other receivables including contract assets and amount due from related parties, cash and cash equivalents, are subsequently measured at amortised costs using the effective interest rate method, which is reduced by impairment losses. Interest income, foreign exchange differences, and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets and liabilities (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets (Continued)

Debt investments at FVOCI

Unless designated at FVPL, a debt investment is measured at FVOCI if:

– It is held within a business model with objectives of both collecting contractual cash flows and selling financial assets; and

– Its contractual cash flows comprise of solely principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated on effective interest rate method, foreign exchange differences and impairment are recognised in profit or losses. Other net gains and losses (including changes in fair value) are recognised in OCI. The cumulative amounts in OCI are reclassified to profit or loss upon derecognition.

Equity investments at FVOCI

Unless held-for-trading, the Group may irrevocably elect on initial recognition, on an investment-by-investment basis, to present subsequent changes of fair value of the equity investments in OCI.

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses (including changes in fair value) are recognised in OCI which will never be reclassified to profit or loss.

Financial assets at FVPL

All financial assets not at amortised cost or FVOCI as described above are measured at fair value through profit or loss. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI to be measured at FVPL, if doing so eliminates or significantly reduce accounting mismatch that would otherwise arise.

Financial assets held for trading or are managed and whose performance is evaluated on a fair value basis would be mandatorily measured at FVPL.

These assets are subsequently measured at fair value. Net gains or losses, including any interest income or dividend income are recognised in profit or loss.

As at the reporting date, the Group has derivative financial instruments and investment in fund, at FVPL.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets and liabilities (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial liabilities

Financial liabilities are subsequently measured at amortised costs unless it is held for trading (including derivative liabilities), or designated as financial liabilities at FVPL on initial recognition to significantly reduce accounting mismatch or when a group of financial liabilities are managed whose performance is evaluated on a fair value basis.

Financial liabilities at amortised costs are subsequently measured at amortised costs using the effective interest rate method. Interest expense and foreign exchange differences are recognised in profit or loss. These financial liabilities mainly comprise trade and other payables including amount due to related parties, and loans and borrowings.

Financial liabilities at FVPL are measured at fair value with net gains and losses (including interest expense) recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

As at the reporting date, the Group has only financial liabilities at amortised costs.

(iii) Derecognition

Financial assets

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 or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial assets. On derecognition of a financial asset in its entirety, the difference between the carrying amount measured at the derecognition date and the sum of the consideration received is recognised in profit or loss.

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

Financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount of the financial liabilities extinguished, or transferred and the consideration paid (including non-cash transferred or liabilities assumed) is recognised in profit or loss.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets and liabilities (Continued)

(iv) Offsetting

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.13 Impairment of financial assets

The Group applies impairment model in SFRS(I) 9 to measure the Expected Credit Losses (ECL) of the following categories of assets:

– Financial assets at amortised costs;

– Debt instrument, at FVOCI;

– Contract assets (determined in accordance with SFRS(I) 15); and

– Intragroup financial guarantee contracts ("FGC").

ECLs are probability-weighted estimates of credit losses, which are measured at the present value of all cash shortfalls (difference between the cash flows due to the Group in accordance with the contracts and the cash flows that the Group expects to receive), discounted at effective interest rate of the financial asset. The expected cash flows include cash flows from the sale of collaterals held, if any, or other credit enhancements that are integral to the contractual terms.

Loss allowances of the Group are measured on either of the following bases:

– 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

– Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments and FGCs. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of financial assets (Continued)

General approach (Continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment that includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

Definition of default

The Group considers a financial asset to be in default when:

– The borrower is unlikely to pay its credit obligation in full, without recourse by the Group; or

– The financial asset is more than 90 days past due.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– significant financial difficulty of the issuer or the borrower;

– a breach of contract, such as a default or being past due for more than 90 days;

– the restructuring of a loan advances or past due lease receivables that the Group would not consider otherwise;

– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

Write-off

The Group writes off the gross carrying amount of a financial assets to the extent that there is no realistic prospect of recovery, for example when the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 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.

2.15 Contract assets and liabilities

Contract assets relate to the Group's right to consideration for work completed but yet to be billed at reporting date which will be transferred to trade receivables when the rights become unconditional upon invoicing. Contract liabilities are recognised if the receipts from the customer exceed the value of the contract work transferred by the Group.

2.16 Derivative financial instruments

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 17.

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.

2.17 Fair value estimation of financial assets and liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

(i) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in this Note 2.25.

(ii) As lessee

At the lease commencement date, the Group recognises a Right-of-Use (ROU) assets and corresponding lease liabilities with respect to all lease arrangements in which it is the lessee, except for short-term leases and low-value leases as described below.

ROU assets

ROU assets are initially measured at cost, which comprise initial amount of lease liability, any lease payment made at or before commencement date, plus initial direct costs incurred, less lease incentives received. Initial direct costs are costs that would not have been incurred if the lease had not been obtained.

Whenever the Group incurs obligations for costs to dismantle and remove a leased asset, restore the site or the underlying asset to the condition required by the terms and conditions of the lease contract, a provision is recognised and measured under SFRS(I) 1-37; and included in the carrying amount of the ROU assets to the extent that the costs relate to a ROU asset.

ROU assets are subsequently measured at cost less accumulated depreciation and impairment losses. ROU assets are depreciated from commencement date to the earlier of end of lease terms and useful life of the ROU assets. When the lease transfers ownership of underlying assets to the Group by the end of lease term or cost of ROU assets reflects that the Group will exercise a purchase option, the ROU asset is depreciated over the useful life of the underlying assets. In addition, the ROU assets are also adjusted for certain remeasurement of lease liability.

The useful lives of ROU assets (over the terms of the lease) are as follows:

	Useful lives (Years)
Leasehold properties and office premises	3 to 47
Machinery and equipment	2 to 6
Motor vehicles	2 to 5
Leasehold land	50

ROU assets are presented as a separate line item on the statement of financial position.

For contract that contains lease and non-lease component, the Group applies the practical expedient allowed in SFRS(I) 16 not to separate non-lease components, and account for the lease and non-lease components as a single lease component.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Leases (Continued)

(ii) As lessee (Continued)

Lease liability

Lease liability is initially measured at the present value of lease payments discounted using interest rate implicit in the lease, or if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate, which is estimated by reference to interests rates from various external financing sources for similar terms such as lease terms, type of assets leases and economic environment.

The following lease payments are included in the measurement of lease liability:

– Fixed payment (including in-substance fixed payments), less any lease incentives receivables;

– Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;

– Amount expected to be payable under residual value guarantees

– The exercise price of a purchase option if is reasonably certain to exercise the option; and

– Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease liability is measured at amortised cost using effective interest method. Remeasurement of lease liability (and corresponding adjustment to ROU asset, or to profit or loss when the ROU asset has been reduced to zero) is required when there is:

– a change in future lease payments arising from changes in an index or rate, in which case the initial discount rate is used;

– a change in the Group's assessment of whether it will exercise an extension or termination option, in which case a revised discount rate is used; or

– modification in the scope or the consideration of the lease that was not part of the original term and not accounted for as separate lease, in which case a revised discount rate at effective date of modification is used.

The Group presents the lease liabilities within 'Borrowings' in the statement of financial position.

Exemption/exclusion

The Group has elected not to recognise ROU assets and lease liabilities for certain short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For such leases, the Group recognises the lease payments in profit or loss as an operating expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Provisions

General

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.

Onerous contract provision

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract is lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of expected costs of terminating the contract and the expected net cost of continuing the contract.

2.20 Financial guarantees

The Company has issued corporate guarantees to banks for which bank loans and banking facilities granted to its subsidiaries. These guarantees are financial guarantee contracts which require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are initially recognised as a liability at their fair values, adjusted for transaction costs directly attributable to the issuance of the guarantees.

Subsequent to initial recognition, financial guarantees are measured at the higher of:

(a) the amount initial recognised less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

(b) the amount of expected credit loss computed using the impairment methodology under SFRS(I) 9.

As the guarantee is issued for the benefits of the subsidiaries without recharge, it is capitalised in cost of investment in subsidiaries as a deemed capital contribution.

2.21 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 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Borrowing costs

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

2.23 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.

2.24 Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Unless otherwise mentioned, the Group concludes that it is acting as a principal in the provision of goods or services in its contracts with customers.

When contracts contains multiple performance obligations such as installation services, freight and insurance, the Group allocates the transaction price to the performance obligations in proportion of the relative stand-alone selling price.

Revenue from sale of products is recognised upon transfer of control to the customers and the acceptance criteria is met (either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied). The Group normally invoices the customers upon delivery of the goods with 30-60 days credit term, except for online sales of products, whereby payments are made at the point of order placement. The Group provides standard warranty of 1 to 3 years which represents assurance-type and is provided for in accordance with SFRS(I) 1-37.

Service revenue in relation to design and engineering projects in business solution segment is recognised over time if the customised equipment has no alternative use to the Group and the contract gives the Group enforceable right to payment for performance completed to date. The progress of completion is measured by reference of contract costs incurred in proportion to the total estimated contract costs for each contract. Management considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under SFRS(I) 15. Costs that are not related to the contracts or do not contribute to the progress of satisfying the performance obligation are excluded when calculating the progress, and are expensed as incurred. For contracts that does not give the Group enforceable right to payment for performance completed to date, the Group recognise the revenue at a point in time, i.e. when control transferred to the customers and acceptance criteria is met.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Other income

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

Rental income from operating lease (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

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

2.26 Employees' benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably

(ii) Retirement benefits

The Group operates both defined benefit and defined contribution plans.

(a) Defined contribution plans

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

Singapore

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

Foreign subsidiaries

The subsidiaries, incorporated and operating in People's Republic of China ("PRC"), Germany and United States ("US") and Philippines are required to provide certain retirement plan contribution to their employees under existing individual country regulations. Contributions are provided at rates stipulated by the 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 received.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Employees' benefits (Continued)

(ii) Retirement benefits (Continued)

(b) Defined benefit plan

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

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

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

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

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

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

(iii) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Income tax

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

(i) Current income tax

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

(ii) Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or 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 in the PRC are subject to VAT at the applicable tax rate of 13% 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 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".

2.29 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.

2.30 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).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.31 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and deposits with financial institutions, excluding pledged bank balances and fixed 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.

2.32 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 and assets 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.

2.33 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.

2.34 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 judgements in applying the entity's accounting policies

Critical 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 are as follows:

(a) *Determination of functional currency*

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

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.34 Critical accounting estimates, assumptions and judgements (Continued)

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

(b) *Write-down of land-use rights – Leasehold Land*

As disclosed in Note 4, subsequent to the reporting date, two of the subsidiaries of the Group in PRC each received a separate notice from the Nantong Investment and Development Council on the State Government's decision to reclaim the unused areas within Land 2 and Land 3 (also identified in Note 4) without monetary compensation by end of 2021.

The notices of reclamation represent authorities' enforcement of non-fulfilment on part of the PRC subsidiaries of terms and conditions in the State-owned Construction Land Use Right Deed of Assignment ("Deed of Assignment") (entered into by the subsidiaries between 2010 and 2014), for failing to carry out the developments of the 2 parcels of land to meet the required capital investment amount within 3 years from the date of assignment.

The Group has not implemented its initial development plan to build a new research and development on these lands since the date of assignment. With operational challenges and economy uncertainties brought upon by the COVID-19 pandemic, the Group has taken a more cautious approach and put all major capital expenditure on hold to conserve cash liquidity. As at the reporting date, management made a significant judgement, that is to write down the carrying amount of land-use rights by RMB22,000,000 in total in the Group's financial statements to reflect the reduced land areas. In making this judgement, management has considered following rationale as well as the criteria set out in SFRS(I) 1-10:

– The Group does not intend to deploy the affected land areas in 2021. As it would not meet the minimum capital investment requirement by end of 2021, the reclamation of unused land areas by the local authorities is imminent as at the reporting date.

– The notices of land reclamation issued by the government subsequent to year end offered the evidence of non-fulfilment of the terms and conditions of the Deed of Assignment on part of the Group in prior years, hence this is an adjusting event after reporting period as defined in SFRS(I) 1-10.

(ii) Critical accounting estimates and assumptions

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

(a) *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 remaining useful lives of the assets and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the assets' performance of the cash generating unit being tested. The recoverable amount is most sensitive to the sales growth rate used for the discounted cash flows model.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.34 Critical accounting estimates, assumptions and judgements (Continued)

(ii) Critical accounting estimates and assumptions (Continued)

(a) *Impairment of non-financial assets* (Continued)

The carrying amounts, further details of the key assumptions and the sensitivity analysis for the impairment assessment of non-financial assets are disclosed in Notes 3, 4 and 8. Based on the key assumptions, the Group has made an impairment loss of RMB1,602,000, RMB8,175,000 and RMB11,435,000 (2019: RMB1,581,000, RMB9,496,000, and RMB32,486,000) in respect of property, plant and equipment, right-of-use assets, and intangible assets.

(b) *Provision for onerous contracts*

The provision recognised represents management's best estimate of the lower of the cost of fulfilling these contracts or any compensation or penalties arising from failure to fulfil a contract as there is no future economic benefit expected to be received. Significant estimates and assumptions were made in determining the provision, specifically on those dealing with uncertainties such as: timing of an event of default giving rise to a present obligation that the costs to fulfil the contractual commitment, if not the monetary compensation arising from non-fulfilment of agreement become unavoidable, extent and costs required. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

The provision recognised during the year was reviewed by management based on facts and circumstances that are evident as of the date of the authorisation of these financial statements which are also detailed in Note 20. Further due considerations were given in assessing the resulting impact on other significant accounting estimate such as allowance for inventories obsolescence in the aftermath of sale cancellation disclosed in Note 20.

Changes to the estimated future costs are recognised in consolidated statement of profit or loss by adjusting the provisions in the statements of financial position. The carrying amount of the provision for onerous contracts as at 31 December 2020 was RMB27,166,000.

(c) *Defined benefit pension plans*

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

Information about the amounts reported in respect of defined benefit pension plans, assumptions applicable to the principal plans and their sensitivity to changes are presented in Note 22.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.34 Critical accounting estimates, assumptions and judgements (Continued)

(ii) Critical accounting estimates and assumptions (Continued)

(d) *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.

Deferred tax assets of RMB12,248,000 (2019: RMB13,502,000) as at 31 December 2020 (Note 9) was recognised on tax losses with no expiry for subsidiaries in Germany as management expects that there will be probable future taxable profits for which these tax losses can be utilised. Any significant adverse change in the financial performance of these subsidiaries in the next financial year is likely to reduce the amount of deferred tax assets recognised.

As disclosed in Note 9, the Group has unrecognised tax losses of approximately RMB40,422,000 (2019: RMB34,688,000) that are available to carry forward. These losses relate to the subsidiaries in UK that has history of losses. In addition, the Group has unrecognised deductible temporary difference arising from pension liabilities and impairment of assets of approximately RMB72,237,000 and RMB41,897,000 (2019: RMB74,686,000 and RMB20,682,000) respectively from the same subsidiaries in UK. The carry forward of the tax losses and deductible temporary difference has no expiry date, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither temporary taxable differences nor any tax planning opportunities available that could support the recognition of any of these losses and deductible temporary difference as deferred tax assets. If the Group had been able to recognise all unrecognised deferred tax assets, tax income and profit for the financial year would have increased by approximately RMB29,366,000 (2019: RMB24,694,000).

As at 31 December 2020, the Group recorded deferred tax liabilities amounting to RMB19,538,000 (2019: RMB19,066,000) relating to the withholding taxes payable on the entire undistributed profits of the PRC and Germany subsidiaries (Note 9). 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.

(e) *Determination of lease terms*

For lease contracts with extension or termination options, management is required to estimate the lease term which requires consideration of all facts and circumstances that creates an economic incentive to exercise an extension option or not to exercise termination options, including any expected changes in facts and circumstances from commencement date until the exercise date of the options. As disclosed in Note 19(ii), lease liabilities of a subsidiary include lease payments for periods under termination options as the Group is reasonably certain not to exercise the termination options. If a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee, the above assessment will be reviewed. The carrying amounts of relevant right-of-use assets and lease liabilities are disclosed in Notes 4 and 19(ii) respectively.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RMB'000	Buildings and improvement 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 2019	50,298	273,677	188,038	55,286	11,620	8,344	587,263
Additions	–	1,111	13,150	6,593	718	5,363	26,935
Acquisition of business (Note 6)	–	–	–	67	–	–	67
Reclassified from/(to)	–	362	7,491	–	–	(7,853)	–
Transfer to ROU assets (Note 4)	–	–	(13,894)	–	–	–	(13,894)
Disposals	–	(5,543)	(2,001)	(3,663)	(372)	(524)	(12,103)
Currency translation differences	(54)	(704)	281	207	33	(31)	(268)
At 31 December 2019	50,244	268,903	193,065	58,490	11,999	5,299	588,000
At 1 January 2020	**50,244**	**268,903**	**193,065**	**58,490**	**11,999**	**5,299**	**588,000**
Additions	**–**	**2,283**	**7,564**	**3,117**	**840**	**3,802**	**17,606**
Reclassified from/(to)	**–**	**2,173**	**819**	**–**	**–**	**(2,992)**	**–**
Disposals	**–**	**–**	**(2,857)**	**(1,053)**	**(600)**	**(5)**	**(4,515)**
Currency translation differences	**658**	**3,051**	**967**	**969**	**(119)**	**4**	**5,530**
At 31 December 2020	**50,902**	**276,410**	**199,558**	**61,523**	**12,120**	**6,108**	**606,621**
Accumulated depreciation and impairment							
At 1 January 2019	–	100,180	113,826	37,409	8,657	–	260,072
Charge for the year	–	12,243	13,225	7,232	766	–	33,466
Impairment loss for the year	–	–	935	646	–	–	1,581
Transfer to ROU assets (Note 4)	–	–	(7,591)	–	–	–	(7,591)
Disposals	–	(1,496)	(915)	(2,561)	(335)	–	(5,307)
Currency translation differences	–	(147)	4	138	(6)	–	(11)
At 31 December 2019	–	110,780	119,484	42,864	9,082	–	282,210
At 1 January 2020	**–**	**110,780**	**119,484**	**42,864**	**9,082**	**–**	**282,210**
Charge for the year	**–**	**11,096**	**12,890**	**6,235**	**761**	**–**	**30,982**
Impairment loss for the year	**–**	**–**	**678**	**924**	**–**	**–**	**1,602**
Disposals	**–**	**–**	**(2,083)**	**(1,000)**	**(558)**	**–**	**(3,641)**
Currency translation differences	**–**	**1,665**	**735**	**533**	**(68)**	**–**	**2,865**
At 31 December 2020	**–**	**123,541**	**131,704**	**49,556**	**9,217**	**–**	**314,018**
Net carrying amount							
At 31 December 2020	**50,902**	**152,869**	**67,854**	**11,967**	**2,903**	**6,108**	**292,603**
At 31 December 2019	50,244	158,123	73,581	15,626	2,917	5,299	305,790

Assets pledged as security

The Group's freehold land and buildings with carrying amount of RMB28,973,000 (2019: RMB28,821,000) and RMB77,248,000 (2019: RMB77,062,000) respectively are mortgaged to secure the Group's bank loans (Note 19).

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment assessment

During the year, a sub-group consisting of 3 entities, Metric Group Holdings Limited, Metric Group Limited and Metric Group Inc. (together, "Metric Group") continues to report operating losses and was in a net liability position as at 31 December 2020, indicating Metric Group's non-financial assets may be impaired. The property, plant and equipment with aggregate carrying amount of RMB1,602,000 (2019: RMB2,780,000) were subject to impairment review and an impairment loss of RMB1,602,000 (2019: RMB1,581,000) was recognised during the year. The key assumptions of the impairment test are disclosed in Note 8.

4. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000	Leasehold properties and office premises RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
At 1 January 2019	–	–	–	–	–
Transfer from property, plant and equipment (Note 3)	–	–	13,894	–	13,894
Transfer from land use rights (Note 5)	67,490	–	–	–	67,490
Recognition of ROU assets on adoption of SFRS(I) 16	–	35,137	1,477	4,981	41,595
Additions/modifications	–	28,998	7,024	3,155	39,177
Currency translation differences	–	845	252	268	1,365
At 31 December 2019	67,490	64,980	22,647	8,404	163,521
At 1 January 2020	**67,490**	**64,980**	**22,647**	**8,404**	**163,521**
Additions/modifications	**–**	**765**	**1,300**	**2,044**	**4,109**
Disposal	**–**	**–**	**–**	**(1,071)**	**(1,071)**
Write-down	**(26,429)**	**–**	**–**	**–**	**(26,429)**
Currency translation differences	**–**	**(1,767)**	**379**	**(88)**	**(1,476)**
At 31 December 2020	**41,061**	**63,978**	**24,326**	**9,289**	**138,654**
Accumulated depreciation and impairment					
At 1 January 2019	–	–	–	–	–
Transfer from property, plant and equipment (Note 3)	–	–	7,591	–	7,591
Transfer from land use rights (Note 5)	9,340	–	–	–	9,340
Charge for the year	1,350	10,798	3,919	2,765	18,832
Impairment loss for the year	–	6,977	598	1,921	9,496
Currency translation differences	–	340	130	94	564
At 31 December 2019	10,690	18,115	12,238	4,780	45,823
At 1 January 2020	**10,690**	**18,115**	**12,238**	**4,780**	**45,823**
Charge for the year	**1,349**	**11,623**	**2,843**	**1,172**	**16,987**
Impairment loss for the year	**–**	**4,590**	**440**	**3,145**	**8,175**
Disposal	**–**	**–**	**–**	**(1,071)**	**(1,071)**
Write-down	**(4,429)**	**–**	**–**	**–**	**(4,429)**
Currency translation differences	**–**	**(664)**	**181**	**(82)**	**(565)**
At 31 December 2020	**7,610**	**33,664**	**15,702**	**7,944**	**64,920**
Net carrying amount					
At 31 December 2020	**33,451**	**30,314**	**8,624**	**1,345**	**73,734**
At 31 December 2019	56,800	46,865	10,409	3,624	117,698

NOTES TO **THE FINANCIAL STATEMENTS**

4. RIGHT-OF-USE ASSETS (CONTINUED)

Right-of-Use (ROU) assets under leasing arrangements in accordance with SFRS(I) 16

The range of the lease terms is disclosed in Note 2.19. The additions during the year represent the entering of new lease upon expiry of the original lease without extension option.

The Group is restricted from sub-leasing, operating the premises for other purposes. There are no other restrictions or covenants imposed by the lease contracts.

The corresponding lease liabilities is disclosed in Note 19.

As at 31 December 2020, carrying amount of machinery and equipment relating to leasing agreement with financial institutions were RMB8,252,000 (2019: RMB8,789,000).

Impairment assessment

During the year, a sub-group consisting of 3 entities, Metric Group Holdings Limited, Metric Group Limited and Metric Group Inc. (together, "Metric Group") continues to report operating losses and was in a net liability position as at 31 December 2020, indicating Metric Group's non-financial assets may be impaired. The right-of-use assets with aggregate carrying amount of RMB8,175,000 (2019: RMB16,726,000) were subject to impairment review and an impairment loss of RMB8,175,000 (2019: RMB9,496,000) was recognised during the year. The key assumptions of the impairment test are disclosed in Note 8.

Write-down of right-of-use: leasehold land

On 20 February 2021 and 5 March 2021, two of the subsidiaries in PRC received notices from the Nantong Investment and Development Council on the reclamation of unused areas within Land 2 and 3, each with net carrying amount before impairment of RMB28,822,000 and RMB11,543,000 respectively. The reclamation of the unused land areas will be undertaken by the authorities without monetary compensation, if the said land areas remain undeveloped and fail to meet the required capital investment amount by end of 2021.

As there has been no plan for the Group to expand its current production and research facilities in Nantong province, hence management assessed that it is unlikely that the Group will deploy these unused areas to make up the shortfall in the capital investment and other conditions in the land use right agreement by end 2021. Based on the unused land areas identified by the authorities in their notices, management has written down the carrying amounts of these lands in proportion with the affected land areas to be reclaimed by the authorities, by a total amount of RMB22,000,000 during the year.

In addition to writing down the carrying amounts of affected lands, the Group has also provided for idle land fee of RMB5,284,000 (Note 20 and 32) in accordance with Urban Real Estate Administration Law of PRC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

4. RIGHT-OF-USE ASSETS (CONTINUED)

Leasehold land

The Group has long-term leases over four plots of state-owned land in the PRC with the remaining amortisation periods as follows:

Group		Leasehold land – net carrying amounts		Remaining amortisation periods	
	Location of the land	2020 RMB'000	2019 RMB'000	2020 Years	2019 Years
Land 1	Tongzhou Economic Development Area, Huashan Neighbourhood	**7,923**	8,127	**39**	40
Land 2	Sutong Park, East of Jingsi Road, North of Weiqi Road, West of Shenhai Expressway	**16,822**	29,543	**40**	41
Land 3	Nantong Development Area, East of Baoshui Sixth Road, North of Baoshui Fifth Road	**1,543**	11,808	**44**	45
Land 4	Chengdong Town, Sanfeng Village	**7,162**	7,322	**45**	46

5. LAND USE RIGHTS

	Group	
	2020 RMB'000	2019 RMB'000
Cost		
At 1 January	**–**	67,490
Transfer to right-of-use assets (Note 4)	**–**	(67,490)
At 31 December	**–**	–
Accumulated amortisation		
At 1 January	**–**	9,340
Transfer to right-of-use assets (Note 4)	**–**	(9,340)
At 31 December	**–**	–
Net carrying amount	**–**	–

6. SUBSIDIARIES

	Company	
	2020 RMB'000	2019 RMB'000
Unquoted equity shares, carried at cost		
At 1 January	**273,532**	269,403
Deemed capital contribution		
– Financial guarantee contracts(i)	**–**	144
Currency translation differences	**(17,092)**	3,985
At 31 December	**256,440**	273,532
Less: Accumulated impairment loss		
At 1 January and 31 December	**–**	–
Net carrying amount	**256,440**	273,532

(i) The Company issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subsequently measured at the higher of (a) the amount of loss allowance determined under SFRS(I) 9; and (b) the initial recognised amount less cumulative amount recognised as income under SFRS(I) 15. The Company has assessed and determined that the loss allowance is the higher amount to be recognised arising from these guarantees and they are capitalised in the cost of investment as at year end.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

6. SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of companies	Principal activities	Country of incorporation and place of business	Effective equity held by the Group		Carrying amount of investment	
			2020 %	2019 %	2020 RMB'000	2019 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	**171,056**	182,457
Tri Star Semicon Pte. Ltd.[1]	Investment holding	Singapore	**100**	100	**7,687**	8,199
Format Tresorbau Beteiligungs-GmbH[2] ("Format")	Investment holding	Germany	**100**	100	**48,403**	51,629
Matrix Mechatronix Technology (Philippines) Corp[2]	Develop, manufacture, assemble, sell and undertake after-sales service for high security products	Philippines	**100**	100	**11,430**	12,192
Krauth Technology GmbH[2]	Design and manufacture of intelligent terminals and providing electro-mechanical solution to customers	Germany	**100**	100	**17,864**	19,055
					256,440	273,532

Name of companies	Principal activities	Country of incorporation and place of business	Effective equity held by the Group	
			2020 %	2019 %
Held through subsidiaries				
Tri Star Inc.[3]	Design and manufacture of high security products	PRC	**100**	100
Tri Star Technology Co., Ltd.[3]	Design and manufacture of semi-conductor instruments and parts and precision machining parts	PRC	**100**	100
Jiangsu Tri Star Technology Co., Ltd.[3]	Design and manufacture of semi-conductor instruments and parts and precision machining parts	PRC	**100**	100
Shanghai Tri Star Engineering Technology Co., Ltd.[4]	Research and development, engineering and prototype (inactive)	PRC	**100**	100
Jiangsu Tri Star Terminal Equipment Technology Co., Ltd.[3]	Manufacturing, assembly, maintenance and providing after-sales service of intelligent terminals; and Design and manufacture of high security products	PRC	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

6. SUBSIDIARIES (CONTINUED)

Name of companies	Principal activities	Country of incorporation and place of business	Effective equity held by the Group 2020 %	Effective equity held by the Group 2019 %
Jiangsu Tri Star Equipment Co., Ltd.(3)	Manufacturing of security products, ATM, terminals and mechanical parts	PRC	**100**	100
Matrix Technologies Company Limited(2)	Develop, manufacture, assemble, sell and undertake after-sales service for high security products	Vietnam	**100**	100
Format USA Inc.(4)	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(4)	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
Eisenbach Tresore GmbH(4)(6)	Online sales platform	Germany	**100**	100
Tri Star GmbH(4)	Investment holding	Germany	**100**	100
Deutsche Mechatronics GmbH ("DTMT")(2)	Design and manufacture of intelligent terminals and providing electro-mechanical solution to customers	Germany	**100**	100
Mechatronics Technology HK Limited(4)	Investment holding	Hong Kong	**100**	100
Metric International Ltd(4)	Research and development, service for parking, smart terminals and electronics. (Inactive)	Hong Kong	**100**	100
Almex GmbH ("Almex")(2)	Design and manufacture of intelligent terminals and providing electro-mechanical solution to customers	Germany	**100**	100
ABW Tech GmbH(4)(6)	Inactive	Germany	**100**	100
Metric Group Holdings Limited(2)(5)	Investment holding	United Kingdom	**100**	100
Metric Group Limited ("Metric UK")(2)(5)	Design and manufacture of intelligent terminals and providing electro-mechanical solution to customers	United Kingdom	**100**	100
Metric Group Inc.(4)(5)	Sale and after-sales service of intelligent terminals, machinery parts and auto parts, including sales, procurement, customer service and after-sales service	USA	**100**	100
Metric Tristarinc Limited(4)(6)	Research and development, software development, sales and service for smart terminals and electronics	Ireland	**100**	100

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

6. SUBSIDIARIES (CONTINUED)

(1) Audited by Crowe Horwath First Trust LLP.
(2) Audited by network firms of Crowe Global in the respective countries.
(3) Audited by Nantong Zhongtian Certified Public Accountants Co., Ltd., a firm of Certified Public Accountants in the PRC for local statutory reporting and re-audited/reviewed by Crowe Horwath First Trust LLP for the purpose of expressing an opinion on the consolidated financial statements.
(4) These subsidiaries are not subject to local statutory audit for the financial year ended 31 December 2020. Their financial statements were reviewed by Crowe Horwath First Trust LLP for the purpose of expressing an opinion on the consolidated financial statements.
(5) These entities are part of Metric Group.
(6) In 2019, the Group has incorporated new subsidiaries, namely Eisenbach Tresore GmbH, ABW Tech GmbH and Metric Tristarinc Limited with a paid up capital of EUR200,000 (equivalent to RMB1,564,000), EUR25,000 (equivalent to RMB196,000) and EUR200,000 (equivalent to RMB1,601,000) respectively. Eisenbach Tresore GmbH is wholly owned by Format Tresorbau GmbH & Co. KG, while ABW Tech GmbH and Metric Tristarinc Limited are wholly owned by Tri Star Security Pte. Ltd.

Acquisition of business

On 30 November 2019 (the "acquisition date"), the Group's newly incorporated subsidiary, Eisenbach Tresore GmbH ("Eisenbach"), purchased certain assets in Germany from an existing distributor of the Group for EUR2,800,000. The assets acquired (mainly trademark, domain and online content and non-compete agreement) constitute a business under SFRS(I) 3 *Business Combination*.

The acquisition seeks to enhance the Group's capability in its e-commerce business, helps secure the sales of the Group's product in High Security segment via the online sales channels for Europe markets and achieves synergies in respect of its existing distribution channels in Europe.

Fair value of the identifiable net assets acquired

	Note	RMB'000
Equipment	3	67
Intangible assets		
– Trademark	8	4,686
– Domain and online content	8	11,599
– Non-compete agreement	8	2,965
Fair value of total identifiable net assets acquired		19,317

There were no liabilities assumed arising from the acquisition.

Goodwill arising from the acquisition

Total consideration transferred		21,617
Less: Total identifiable net assets acquired		(19,317)
Goodwill	8	2,300

Consideration transferred for the acquisition

Total consideration transferred	21,617
Less: Consideration set off against trade receivable with seller	(19,292)
Consideration settled in cash, representing net cash outflow on acquisition	2,325

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

6. SUBSIDIARIES (CONTINUED)

Acquisition of business (Continued)

Transaction costs of the acquisition

Transaction costs related to the acquisition of Eisenbach of RMB935,000 have been recognised in the "Administrative expenses" in the Group's profit or loss for the year ended 31 December 2019.

Fair value of assets acquired

The management has engaged external valuation specialist to assist in the allocation process. The fair value of intangible assets – trademark, domain and online content and non-compete agreement is calculated by using the Relief-from-Royalty Method, Multi-Period Excess Earnings Method and With and Without Method respectively. Total fair value adjustments amounted to EUR57,000 (approximately RMB437,000). The deferred tax adjustment is negligible and hence not adjusted.

The fair value of plant and equipment is not adjusted as the value is insignificant.

Impact of the acquisition on consolidated profit or loss

	RMB'000 2019
From acquisition date to 31 December 2019	
Contribution to the Group's revenue for the year	9,761
Losses included in the Group's profit for the year	(275)
Assuming the acquisition had been effected on 1 January 2019	
Total revenue for the year of the Group	2,022,272
Total profit for the year of the Group	75,629

7. ASSOCIATES

	Group	
	2020 RMB'000	**2019 RMB'000**
Unquoted equity shares		
At 1 January	**8,607**	8,275
Share of post-acquisition profit	**1,281**	332
Dividend income	**(1,798)**	–
Currency translation differences	**(2)**	–
At 31 December	**8,088**	8,607

The investment is classified at associate as its operation of the investee is primarily managed by its sole director who is the 50% shareholder of DTMT China holding GmbH, which signifies the investment is not jointly controlled by the shareholders.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

7. ASSOCIATES (CONTINUED)

Details of the associates are as follows:

Name of companies	Principal activities	Country of incorporation and place of business	Effective equity held by the Group		Carrying amount of investment	
			2020 %	2019 %	2020 RMB'000	2019 RMB'000
Held through a subsidiary ("Tri Star GmbH")						
DTMT China Holding GmbH[(i)]	Investment holding	Germany	**50**	50	**2,920**	2,932
DTMT (Hangzhou) Co., Ltd.[(i)]	Design and manufacture of intelligent terminals and providing electro-mechanical solution to customers	PRC	**50**	50	**5,168**	5,675
					8,088	8,607

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

The following table summarises the consolidated financial information of associates.

	2020 RMB'000	2019 RMB'000
Assets and liabilities		
Current assets	**10,205**	12,452
Non-current assets	**7,236**	7,783
Total assets	**17,441**	20,235
Total liabilities – current	**(1,266)**	(3,022)
Net assets	**16,175**	17,213
Carrying amounts of investments in associates at 50% shareholding	**8,088**	8,607
Results		
Revenue	**15,390**	18,374
Profit for year, representing total comprehensive income for the year	**2,562**	663

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

8. INTANGIBLE ASSETS

Group	Technical know-how, patent and trademark RMB'000	Development costs RMB'000	Customer relationship RMB'000	Domain and online content RMB'000	Non-compete agreement RMB'000	Goodwill RMB'000	Total RMB'000
Cost							
At 1 January 2019	22,485	96,175	33,674	–	–	–	152,334
Additions	2,654	14,173	–	–	–	–	16,827
Acquisition of business (Note 6)	4,686	–	–	11,599	2,965	2,300	21,550
Currency translation differences	191	3,889	(109)	147	37	29	4,184
At 31 December 2019	30,016	114,237	33,565	11,746	3,002	2,329	194,895
At 1 January 2020	**30,016**	**114,237**	**33,565**	**11,746**	**3,002**	**2,329**	**194,895**
Additions	**1,049**	**4,913**	**–**	**–**	**–**	**–**	**5,962**
Currency translation differences	**651**	**924**	**792**	**277**	**71**	**54**	**2,769**
At 31 December 2020	**31,716**	**120,074**	**34,357**	**12,023**	**3,073**	**2,383**	**203,626**
Accumulated amortisation and impairment loss							
At 1 January 2019	7,580	50,001	28,515	–	–	–	86,096
Amortisation for the year	4,041	13,117	491	481	–	–	18,130
Impairment loss for the year	992	26,907	4,587	–	–	–	32,486
Currency translation differences	162	2,180	(28)	6	–	–	2,320
At 31 December 2019	12,775	92,205	33,565	487	–	–	139,032
At 1 January 2020	**12,775**	**92,205**	**33,565**	**487**	**–**	**–**	**139,032**
Amortisation for the year	**4,761**	**5,552**	**–**	**2,398**	**1,011**	**–**	**13,722**
Impairment loss for the year	**479**	**10,956**	**–**	**–**	**–**	**–**	**11,435**
Currency translation differences	**185**	**1,222**	**792**	**184**	**13**	**–**	**2,396**
At 31 December 2020	**18,200**	**109,935**	**34,357**	**3,069**	**1,024**	**–**	**166,585**
Net carrying amount							
At 31 December 2020	**13,516**	**10,139**	**–**	**8,954**	**2,049**	**2,383**	**37,041**
At 31 December 2019	17,241	22,032	–	11,259	3,002	2,329	55,863

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

	2020 RMB'000	2019 RMB'000
Cost of sales	**13,402**	16,458
Administrative expenses	**320**	1,672

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

8. INTANGIBLE ASSETS (CONTINUED)

The individual intangible asset that is material to the financial statements is as follows:

	Carrying amount		Remaining amortisation periods	
	2020 RMB'000	**2019 RMB'000**	**2020 Years**	**2019 Years**
Eisenbach (Note (a))				
Trademark	**4,686**	4,724	**8.9**	9.9
Domain and online content	**8,954**	11,259	**8.9**	9.9
Non-compete agreement	**2,049**	3,002	**1.9**	2.9
Goodwill	**2,383**	2,329	**Not applicable**	Not applicable
	18,072	21,314		
Metric Group (Note (b))				
Development costs				
– Intelligent terminals	*	10,988	*	0.7 – 2.0
Customer relationship	*	*	*	*
Technical know-how, patent and trademark				
– Intelligent terminals	*	*	*	*
	*	10,988		
Other material intangible assets				
Krauth				
Development costs				
– Auto ticketing machine	**10,139**	11,046	**4.3**	5.6
Almex				
Technical know-how, patent and trademark				
– intelligent terminals	**6,951**	9,794	**1.6**	2.8
	17,090	20,840		

* Fully impaired during the financial years ended 31 December 2020 and 2019.

(a) Impairment assessment – Eisenbach

The recoverable amounts of Eisenbach's non-financial assets are based on value in use and are determined by discounting the future cash flows to be generated from the continuing use of the CGU. Value in use in 2020 was determined in a similar manner as in 2019. No impairment loss was required for the carrying amount of intangible assets (Trademark, Domain and online content, Non-compete agreement) and Goodwill at 31 December 2020 and 31 December 2019 as the recoverable value was in excess of the carrying value.

The key estimated variables in the value in use calculations are as follows:

	Pre-tax discount rate		Sales growth		Gross profit margin	
	2020 %	**2019 %**	**2020 %**	**2019 %**	**2020 %**	**2019 %**
Eisenbach	**10.8**	**9.8**	**5.0**	**3.0**	**19.6**	**20.0**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

8. INTANGIBLE ASSETS (CONTINUED)

(a) Impairment assessment – Eisenbach (Continued)

Pre-discount rate – Discount rate represents the current market assessment of the risks specific to the relevant CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates.

Sales growth – The estimated sales growth is based on current year results and expectations for the sale of safe box in the future.

Gross profit margin – The estimated gross profit margin is determined based on current year and historical results.

Sensitivity analysis:

	Increase/ (Decrease) in total impairment 2020 RMB'000
Pre-tax discount rate (increase by 2%)	*
Sales growth (decrease by 3%)	*
Gross profit margin (decrease by 2%)	982

** No impairment is required.*

(b) Impairment assessment – Metric Group

A sub-group consisting of 3 entities, Metric Group Holdings Limited, Metric Group Limited and Metric Group Inc. (together, "Metric Group") in the "Business Solutions" segment, has reported significant losses continuously and is in a net liability position, triggering an impairment assessment of the assets held under Metric Group. Management considers Metric Group as one cash-generating unit ("CGU").

The recoverable amount of the relevant CGU is determined using the value in use calculation which is cash flow projections based on 4-year (2019: 5-year) financial budgets approved by management which coincide with the remaining useful lives of the key assets within the CGU.

The impairment on assets within the CGU was recognised in the profit or loss within "Other expenses" (Note 32), as detailed below:

	Carrying amount subject to impairment RMB'000	Impairment during the year RMB'000	Carrying amount after impairment RMB'000
2020			
Intangible assets			
– Technical know-how, patent and trademark	**479**	**(479)**	**–**
– Development costs	**10,956**	**(10,956)**	**–**
– Customer relationship	**–**	**–**	**–**
Property, plant and equipment	**1,602**	**(1,602)**	**–**
ROU assets	**8,175**	**(8,175)**	**–**

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

8. INTANGIBLE ASSETS (CONTINUED)

(b) Impairment assessment – Metric Group (Continued)

	Carrying amount subject to impairment RMB'000	Impairment during the year RMB'000	Carrying amount after impairment RMB'000
2019			
Intangible assets			
– Technical know-how, patent and trademark	992	(992)	–
– Development costs	37,895	(26,907)	10,988
– Customer relationship	4,587	(4,587)	–
Property, plant and equipment	2,780	(1,581)	1,199
ROU assets	16,726	(9,496)	7,230

The key estimated variables in the value in use calculations are as follows:

	2020	**2019**
Pre-tax discount rate	**13.7%**	11.7%
Sales growth		
– Year 1	**– 6.0%**	– 6.0%
– Year 2	**– 4.0%**	– 4.0%
– Year 3	**– 2.0%**	– 2.0%
– Year 4	**0%**	0%
– Year 5	**n/a**	1.0%
Gross profit margin	**55.0%**	53.1%

Pre-tax discount rate – Discount rate represents the current market assessment of the risks specific to the relevant CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates.

Sales growth – The estimated sales growth is based on current year results and expectations of the market of ticketing and vending machines in UK in the future.

Gross profit margin – The estimated gross profit margin is determined based on current year and historical results.

Sensitivity analysis:

2020
Based on management's best estimate, no reasonably possible changes in the following year is expected to result in material reversal of impairment loss during next financial year.

2019	**Increase/(Decrease) in total impairment 2019 RMB'000**
Pre-tax discount rate, increased by 1%	1,329
Sales growth, decreased by 1%	1,690
Gross profit margin, decreased by 1%	5,208

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

9. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2020 RMB'000	2019 RMB'000
At 1 January	(22,571)	515
Recognised in the profit or loss (Note 34)	14,475	(22,537)
Recognised in the other comprehensive income	–	(1,863)
Currency translation differences	(794)	1,314
At 31 December	(8,890)	(22,571)
Presented after appropriate offsetting as follows:		
Deferred tax assets, net	15,474	1,486
Deferred tax liabilities, net	(24,364)	(24,057)
	(8,890)	(22,571)

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

Deferred tax assets/(liabilities)	At beginning of the year RMB'000	Recognised in profit or loss RMB'000	Currency translation differences RMB'000	At end of the year RMB'000
2020				
Net difference between net carrying amount of property, plant and equipment, intangible assets and inventories, and their tax base	(16,404)	5,985	(367)	(10,786)
Provision for withholding tax	(19,066)	(472)	–	(19,538)
Derivative financial instruments	(391)	(597)	–	(988)
Unutilised tax losses	13,502	(1,554)	300	12,248
Deferred government grants	2,803	(663)	–	2,140
Allowances for doubtful debts and inventories obsolescence	509	2,808	–	3,317
Contract assets and liabilities	(2,018)	1,347	(31)	(702)
Provision for onerous contracts	–	4,276	–	4,276
Others **	(1,506)	3,345	(696)	1,143
	(22,571)	14,475	(794)	(8,890)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

9. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Deferred tax assets/ (liabilities)	At beginning of the year RMB'000	Recognised in profit or loss RMB'000	Recognised in other comprehensive income RMB'000	Currency translation differences RMB'000	At end of the year RMB'000
2019					
Net difference between net carrying amount of property, plant and equipment, intangible assets and inventories, and their tax base	(17,159)	869	–	(114)	(16,404)
Provision for withholding tax	(16,835)	(2,231)	–	–	(19,066)
Derivative financial instruments	91	(482)	–	–	(391)
Unutilised tax losses *	20,969	(7,615)	–	148	13,502
Deferred government grants	1,502	1,301	–	–	2,803
Allowances for doubtful debts and inventories obsolescence	685	(176)	–	–	509
Deferred tax on pension scheme liability *	14,186	(13,601)	(1,863)	1,278	–
Contract assets and liabilities	(2,562)	529	–	15	(2,018)
Others **	(362)	(1,137)	–	(7)	(1,506)
	515	(22,543)	(1,863)	1,320	(22,571)

* During previous financial year, deferred tax asset amounting to RMB19,175,000 relating to the Metric UK, comprising unutilised tax losses and deferred tax on pension scheme liability of RMB5,574,000 and RMB13,601,000 respectively, was written off due to the continuous loss making and net liability position where no foreseeable future taxable profit will be available to utilise the deductible temporary differences.

** Mainly related to accrued expenses (2019: revenue and cost of sales cut-off) adjustments

As at 31 December 2020, the Group recorded deferred tax liabilities amounting to RMB19,538,000 (2019: RMB19,066,000) relating to the withholding taxes payable on the entire undistributed profits of certain profitable PRC and German subsidiaries as the management view it to be probable for distribution in the foreseeable future.

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

As at 31 December 2020, the Group has unrecognised unused tax losses of approximately RMB40,422,000 (2019: RMB34,688,000) that are available to carry forward. These tax losses relate to the Metric UK have no expiry date. In addition, the Group has unrecognised deductible temporary difference arising from pension liabilities and impairment of assets of approximately RMB72,237,000 and RMB41,897,000 (2019: RMB74,686,000 and RMB20,682,000) respectively from Metric UK. 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 the respective countries.

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

10. INVENTORIES

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Raw materials	164,962	151,877	–	–
Raw materials-in-transit	335	2,614	–	1,097
Work-in-progress	96,004	144,309	–	–
Finished goods	58,655	66,536	–	–
Finished goods-in-transit	–	2,432	–	763
	319,956	367,768	–	1,860

The cost of inventories recognised as expenses in "Cost of sales" amounted to RMB826,803,000 (2019: RMB829,359,000), which includes the amount recognised during the year for net write back amounting to RMB9,000 (2019: RMB509,000) (Note 33).

11. TRADE RECEIVABLES

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Trade receivables	293,707	260,721	9,856	35,766
Less: Allowance for impairment loss (Note 40(iii))	(5,343)	(3,468)	–	–
	288,364	257,253	9,856	35,766
Value-added tax recoverable	9,081	6,043	–	–
	297,445	263,296	9,856	35,766

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group	
	2020 RMB'000	2019 RMB'000
Other receivables (Note A)	10,788	8,441
Deposits (Note B)	4,046	1,094
Prepayments	1,433	2,501
Income tax recoverable	–	340
	16,267	12,376

Note A

In previous financial year, "Other receivables" includes capitalised incremental cost to obtain contract amounting to RMB1,167,000.

Note B

Amount includes refundable deposit amounting to RMB3,405,000 paid to German Federal High Court for the ongoing litigation claim against Customer A (Note 20) and it will be used to settle any outstanding legal costs if the case is ruled in favour of Customer A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

13. DUE FROM/(TO) SUBSIDIARIES AND RELATED PARTIES

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Due from subsidiaries (non-trade)	–	–	45,467	28,370
Due to related parties				
– trade	836	948	–	–
– non-trade (due to a shareholder cum director)	6,527	6,842	6,527	6,842
	7,363	7,790	6,527	6,842
Due to subsidiaries				
– trade	–	–	12,479	35,723
– non-trade	–	–	61,624	40,696
	–	–	74,103	76,419

These balances are unsecured, interest-free and repayable on demand.

Amount due to shareholder cum director represents undrawn dividend declared by the Company which remains unpaid at the date of this report.

During the year, the Company entered into debt assignment agreements with 5 (2019: 5) subsidiaries to novate its non-trade balances owing from/(to) the Company to a subsidiary in PRC, totalling to RMB32,239,000 (2019: RMB24,194,000).

14. FINANCIAL ASSETS, AT FVOCI

	Group	
	2020 RMB'000	2019 RMB'000
Unquoted equity shares		
At 1 January	2,404	–
Additions	–	2,404
Changes in fair value recognised in OCI	(2,404)	–
At 31 December	–*	2,404

* Amounts less than RMB1,000.

In May 2019, due to the restructuring of one of the Group's customers, the Group was awarded by court with ordinary shares in the customer with a fair value of RMB2,404,000 in exchange for the amount due to the Group. The customer is a US registered private company limited by shares, and the shares awarded represent a non-controlling interest in that customer. The Group made an irrevocable election to measure the investment at FVOCI.

During the current financial year, the Group has written down the investment to Nil as the directors are of the view that the Group does not intend to execute its rights as a minority shareholder to receive any returns from the investment, neither is it able to identify an active market to realise the investment through disposal.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

15. FINANCIAL ASSETS, AT FVPL

	Group	
	2020 RMB'000	2019 RMB'000
At 1 January	**17,656**	16,480
Additions during the year		
– Financial products	**1,630,100**	1,099,268
– USD Investment fund	**–**	6,620
Disposals during the year		
– Financial products	**(1,630,100)**	(1,099,268)
– USD Investment fund	**(16,973)**	(6,549)
Fair value changes	**(552)**	301
Currency translation differences	**(131)**	804
At 31 December	**–**	17,656

The investment are mandatorily measured at fair value through profit or loss in accordance with SFRS(I) 9.

Financial products relate to investment in non-principal protected financial products in the PRC.

16. CASH AND BANK BALANCES

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Cash in hand	**838**	850	**–**	–
Cash at banks (Note A)	**498,345**	388,189	**29,688**	15,769
Fixed deposits (Note B)	**38,882**	59,382	**28,077**	32,494
Cash and bank balances	**538,065**	448,421	**57,765**	48,263
Less: Pledged fixed deposits (Note C)	**(38,882)**	(41,880)	**(28,077)**	(32,494)
Cash and cash equivalents for purpose of cash flows	**499,183**	406,541	**29,688**	15,769

The Group

As at 31 December 2020, the Group has cash and bank balances deposited with banks in the PRC, denominated in Chinese Renminbi ("RMB") amounting to approximately RMB100,583,000 (2019: RMB198,412,000). 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

As at 31 December 2020, bank balances of RMB93,913,000 (2019: RMB7,701,000) are charged to a financial institution for banking facilities.

Note B

The fixed deposits of the Group and the Company have remaining maturity periods of 1 to 11 months (2019: 1 to 3 months). The fixed deposits bear interest of 0.15% to 1.55% (2019: 0.31% to 1.61%) per annum.

Note C

As at 31 December 2020, the Group and Company have fixed deposits of RMB37,685,000 (2019: RMB41,880,000) that are pledged in connection with bank borrowings obtained by subsidiaries (Note 19).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

17. DERIVATIVE FINANCIAL INSTRUMENTS

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

	Group	
	2020 RMB'000	2019 RMB'000
Contractual notional amount		
Forward currency contracts	**310,834**	194,867
Derivative assets at fair value		
Forward currency contracts	**6,590**	2,606

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 Euro and United States dollar against Renminbi. A settlement gain of RMB8,421,000 (2019: RMB484,000) (Note 29) has been recognised in the profit or loss, on the contracts closed during the year.

18. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Trade				
Trade payables	**126,535**	119,992	**3,672**	2,095
Value-added tax payable	**4,130**	4,264	**–**	–
	130,665	124,256	**3,672**	2,095
Non-trade				
Accrued expenses (Note A)	**61,869**	51,474	**1,470**	2,685
Other payables	**60,945**	60,210	**–**	–
Financial guarantee liability (Note B)	**–**	–	**3,786**	4,038
Other taxes payable	**1,464**	3,707	**–**	–
	124,278	115,391	**5,256**	6,723

Note A

Included in accrued expenses is accrued payroll expenses amounting to RMB53,324,000 and RMB957,000 (2019: RMB48,486,000 and RMB1,972,000) of the Group and Company respectively.

Note B

The Company issued financial guarantees to banks for borrowings and banking facilities of its subsidiaries. As at 31 December 2020, borrowings and banking facilities amounting to RMB45,999,000 (2019: RMB48,999,000) granted to the subsidiaries were utilised. These liability is provided based on the impairment assessment methodology in accordance with SFRS(I) 9 (Note 40(iii)(C)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

19. BORROWINGS

Group	Due within 1 year or on demand RMB'000	Due after 1 year but less than 5 years RMB'000	Due after 5 years RMB'000	Total RMB'000
2020				
Bank loans[(i)]	**99,157**	**12,227**	**5,479**	**116,863**
Lease liabilities[(ii)]	**18,056**	**12,980**	**9,291**	**40,327**
Lease liabilities with financial institutions	**4,931**	**8,577**	**–**	**13,508**
	122,144	**33,784**	**14,770**	**170,698**
2019				
Bank loans[(i)]	109,457	12,021	2,444	123,922
Lease liabilities[(ii)]	14,870	28,147	9,769	52,786
Lease liabilities with financial institutions	5,299	12,749	–	18,048
	129,626	52,917	12,213	194,756

(i) Bank loans

Group	Due within 1 year or on demand RMB'000	Due after 1 year but less than 5 years RMB'000	Due after 5 years RMB'000	Total RMB'000
2020				
Loan 1 (Secured) – Fixed rate	**4,038**	**–**	**–**	**4,038**
Loan 2 (Secured) – Fixed rate	**14,058**	**–**	**–**	**14,058**
Loan 3 (Secured) – Fixed rate	**2,002**	**8,007**	**2,502**	**12,511**
Loan 4 (Secured) – Floating rate	**410**	**–**	**–**	**410**
Loan 5 (Secured) – Fixed rate	**1,108**	**1,418**	**–**	**2,526**
Loan 6 (Secured) – Floating rate	**20,958**	**–**	**–**	**20,958**
Loan 7 (Unsecured) – Floating rate	**–**	**–**	**–**	**–**
Loan 8 (Unsecured) – Floating rate	**–**	**–**	**–**	**–**
Loan 9 (Unsecured) – Floating rate	**–**	**–**	**–**	**–**
Loan 10 (Secured) – Fixed rate	**8,083**	**–**	**–**	**8,083**
Loan 11 (Unsecured) – Floating rate	**20,000**	**–**	**–**	**20,000**
Loan 12 (Unsecured) – Floating rate	**15,000**	**–**	**–**	**15,000**
Loan 13 (Unsecured) – Floating rate	**13,500**	**–**	**–**	**13,500**
Loan 14 (Unsecured) – Fixed rate	**–**	**2,802**	**2,977**	**5,779**
	99,157	**12,227**	**5,479**	**116,863**
2019				
Loan 1 (Secured) – Fixed rate	3,944	–	–	3,944
Loan 2 (Secured) – Fixed rate	17,593	–	–	17,593
Loan 3 (Secured) – Fixed rate	1,954	9,778	2,444	14,176
Loan 4 (Secured) – Floating rate	1,312	–	–	1,312
Loan 5 (Secured) – Fixed rate	1,588	2,243	–	3,831
Loan 6 (Secured) – Floating rate	21,668	–	–	21,668
Loan 7 (Unsecured) – Floating rate	5,000	–	–	5,000
Loan 8 (Unsecured) – Floating rate	20,000	–	–	20,000
Loan 9 (Unsecured) – Floating rate	28,500	–	–	28,500
Loan 10 (Secured) – Fixed rate	7,898	–	–	7,898
	109,457	12,021	2,444	123,922

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

19. BORROWINGS (CONTINUED)

(i) Bank loans (Continued)

Loan 1 (Secured)

The EUR-denominated loan amounting to EUR500,000 was obtained from a German bank for working capital purposes and is supported by a corporate guarantee by the Company. The loan bears interest at 2.48% per annum and was repayable by 30 August 2020. This loan is also secured by the same assets as mentioned in Loan 2.

On 25 August 2020, the subsidiary entered into a loan extension agreement with the bank to extend the loan maturity date to 30 August 2021. The loan bears interest at 2.65% per annum.

Loan 2 (Secured)

The EUR-denominated loan was secured by way of a charge over the freehold land of a subsidiary in Germany. The loan bears interest at 5.50% per annum, and is repayable in 120 monthly instalments 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 has been classified as a current liability as at 31 December 2020 and 2019.

Loan 3 (Secured)

The EUR-denominated loan was secured by way of a charge over the freehold land and building of a subsidiary in Germany. The loan bears interest at 1.80% per annum, and is repayable in 32 quarterly instalments by 31 March 2027.

Loan 4 (Secured)

The USD-denominated loan bears interest at Wall Street Journal Prime Rate minus 0.10% per annum and is repayable in 84 monthly instalments by 15 June 2021. The loan is secured by:

(a) charge over the freehold land and building of a subsidiary in US; and

(b) corporate guarantee by the Company and a subsidiary, Format USA Inc.

As at 31 December 2019, the entire loan balance has been classified as current liabilities due to a breach of financial covenant relating to a minimum debt coverage ratio.

Loan 5 (Secured)

The EUR-denominated loan was secured by a charge over the freehold land and building of a subsidiary in Germany. The loan bears interest at 1.40% per annum, and is repayable in 72 monthly instalments by 8 August 2022.

Loan 6 (Secured)

The GBP-denominated revolving loan of GBP2,350,000 was obtained from a UK bank for working capital purposes and is supported by a bank guarantee provided by the Company. The loan bears interest at LIBOR plus 1% per annum and was renewed on 27 November 2020, with maturity date on 26 April 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

19. BORROWINGS (CONTINUED)

(i) Bank loans (Continued)

Loan 7 and Loan 8 (Unsecured)

These RMB-denominated loans were obtained from a PRC bank for purchases of raw materials purposes. The loans bear interest at PRC loan prime rate plus 0.04% per annum and was repayable by 28 February 2020 and 21 May 2020 respectively. The loans have been repaid in full during the current financial year.

Loan 9 (Unsecured)

The RMB-denominated loan was obtained from a PRC bank for purchases of raw materials purposes. The loan bears interest at PRC loan prime rate plus 0.05% per annum and was repayable by 12 November 2020. The loan has been repaid in full during the current financial year.

Loan 10 (Secured)

This relates to a EUR-denominated 6-months loan obtained for working capital purpose. The loan bears interest at 2.50% per annum and is repayable on 15 February 2021. This loan is secured by way of a corporate guarantee by the Company. This loan is also secured to the same assets as mentioned in Loan 2.

Loan 11 (Unsecured)

The RMB-denominated short-term loan was obtained from a bank for purchases of raw materials purposes. The loan bears interest at prime lending rate plus 0.0825% per annum and is repayable on 17 March 2021.

Loan 12 and Loan 13 (Unsecured)

These RMB-denominated loans were obtained for working capital purposes. The loans bear interest at PRC loan prime rate plus 0.04% per annum and are repayable by 3 November 2021 and 26 November 2021 respectively.

Loan 14 (Unsecured)

The KFW, the German development bank has granted one of the subsidiaries in Germany an instant loan in May 2020, with principal amount of EUR800,000 pursuant to the temporary framework for State Aid to support the economy in Germany amidst the COVID-19 pandemic.

The EUR-denominated loan bears interest at 3% per annum and is repayable in 32 quarterly instalments from 30 September 2022 to 30 June 2030.

(ii) Lease liabilities

The total cash outflows for the year for all lease contracts amounted to RMB27,725,000 (2019: RMB23,819,000), which include short-term lease expenses amounting to RMB4,023,000 (2019: RMB6,726,000) (Note 33) that are not included in lease liabilities.

Lease payments under extension option included in lease term is not significant. A subsidiary in Philippines entered into 50-year lease of land with the local government commencing July 2015, with termination option. Period covered under termination option is included in lease term as the Group has determined, at initial adoption of SFRS(I) 16 on 1 January 2019, that it is reasonably certain not to exercise that option. The related lease liabilities and ROU assets as at 31 December 2020 amounted to RMB3,593,000 and RMB3,300,000 (2019: RMB3,659,000 and RMB3,552,000) respectively. All the other lease payments are fixed. No leases committed as at 31 December 2020 and 2019 have a commencement date after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

19. BORROWINGS (CONTINUED)

(iii) Reconciliation of liabilities arising from financing activities

				Non-cash changes			
	At 1 January 2020 RMB'000	Proceeds from borrowings RMB'000	Principal and interest payments RMB'000	New lease/ modifications RMB'000	Accretion of interest RMB'000	Foreign exchange movement RMB'000	At 31 December 2020 RMB'000
2020							
Bank loans	123,922	54,506	(66,031)	–	4,109	357	116,863
Lease liabilities	52,786	–	(17,907)	3,671	2,083	(306)	40,327
Lease liabilities with financial institutions	18,048	–	(5,795)	470	422	363	13,508
	194,756	54,506	(89,733)	4,141	6,614	414	170,698

						Non-cash changes			
	At 31 December 2018 RMB'000	Initial adoption of SFRS(I) 16 RMB'000	At 1 January 2019 RMB'000	Proceeds from borrowings RMB'000	Principal and interest payments RMB'000	New lease/ modifications RMB'000	Accretion of interest RMB'000	Foreign exchange movement RMB'000	At 31 December 2019 RMB'000
2019									
Bank loans	167,976	–	167,976	142,952	(195,968)	–	7,229	1,733	123,922
Lease liabilities	–	41,595	41,595	–	(11,455)	20,580	2,000	66	52,786
Lease liabilities with financial institutions	12,647	–	12,647	–	(5,638)	10,590	385	64	18,048
	180,623	41,595	222,218	142,952	(213,061)	31,170	9,614	1,863	194,756

20. PROVISIONS

	Group	
	2020 RMB'000	2019 RMB'000
Provision for idle land fee (Note 4)		
Provision for onerous contracts	5,284	–
– Onerous contract A	14,400	–
– Onerous contract B	12,109	–
– Onerous contract C	657	–
	32,450	–

During the financial year, several product sales to three major overseas customers were either put on hold or cancelled. Following the sales cancellations and deferment by customers, three of the subsidiaries in PRC were not able to fulfil the raw material purchase orders previously committed to the respective suppliers. As a result, the Group has been receiving multiple claims from the suppliers in respect of these unfulfilled purchase orders. A total provision for onerous contracts of RMB27,166,000 (Note 32) was made based on management's estimates from known and expected claims from suppliers to fulfil the Group's contractual obligations. It reflects unavoidable costs, which is the lower of the cost of fulfilling these contracts and any compensation or penalties arising from failure to fulfil it. Below are the details and circumstances taken into consideration by management in assessing onerous contracts.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

20. PROVISIONS (CONTINUED)

Onerous contract A

As at 31 December 2020, the Group made a provision of RMB14,400,000 for the anticipated losses based on the letter of demand for payments issued by the suppliers, as a result of termination of sales contract by Customer A in Business Solutions segment. At the same, the Group has also filed a litigation claim against Customer A to seek compensation amounting to USD7,411,000 for the losses suffered by the Group resulting from the sales cancellation and a refundable deposit amounting to RMB3,405,000 (Note 12) was paid to German Federal High Court. Legal counsel of the Group advises that there is legal merits, however, due to early stage of legal proceeding, the Group does not recognise any expected recoveries from the actions against Customer A as at 31 December 2020.

Onerous contract B

Customer B entered into a sale agreement with the Group in December 2019. On March 2020, the Group received a notice from Customer B (in High Security segment) when business was affected by the COVID-19 pandemic to defer indefinitely the delivery of end products. Due to the uniqueness of OEM product specifications and design which are subject to regular changes, the suppliers demanded the Group to compensate for the raw materials costs already incurred for assembling into partially-finished products. As of the reporting date, the Group has accepted partially-finished products amounting to RMB7,089,000. The total amount unfulfilled shipments claimed by suppliers RMB12,109,000.

As at 31 December 2020, the Group estimated that the unfulfilled shipments would likely be the anticipated losses to be claimed by suppliers as a result of the sale deferment, hence a provision of RMB12,109,000 was made accordingly. At the same, the Group also wrote down its inventories of RMB7,089,000 (included in 'Cost of sales') as allowance for stock obsolescence.

Onerous contract C

A subsidiary in PRC entered into a sale contract with Customer C (in High Security segment) in 2016 to deliver hand-held scanning devices for which the sales orders were subsequently cancelled. Subsequent to year end, the Group received a legal letter from the main supplier, demanding the subsidiary for payment and taking delivery of these devices. Management has agreed to accept the finished products; at the same an allowance for stock obsolescence of RMB7,244,000 (included in 'Cost of sales') was made as at 31 December 2020 for the devices which were aged more than 2 years.

21. DEFERRED INCOME

	Group	
	2020 RMB'000	**2019 RMB'000**
Government grant I	**4,914**	5,278
Government grant II	**5,612**	5,934
	10,526	11,212

The movement in the government grants is as follows:

	Group	
	2020 RMB'000	**2019 RMB'000**
At 1 January	**11,212**	11,898
Amortisation for the year (Note 29)	**(686)**	(686)
At 31 December	**10,526**	11,212

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

21. DEFERRED INCOME (CONTINUED)

Government grant I

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

As at year end, the cumulative grant income amortised to profit or loss amounted to RMB2,366,000 (2019: RMB2,002,000).

Government grant II

On 21 April 2014, a PRC subsidiary entered into an agreement with Nantong Economic and Technological Development Zone Management Office ("NTETDZMO") to set up a new research and development centre in Nantong Economic and Technological Development Zone. Under the terms of the agreement, a total grant of RMB7,800,000 will be provided by NTETDZMO to finance the building infrastructure for the construction of roads, underground work, utilities supply and environmental facilities in accordance with the stages of completion of the construction. The Group received the first tranche of the grant in cash amounting to RMB6,240,000 from government in 2015 and tax refund of RMB204,000 was received in 2016. The amount received is amortised over the useful life of the building commencing from June 2018.

As at year end, the cumulative grant income amortised to profit or loss amounted to RMB832,000 (2019: RMB510,000).

22. PENSION LIABILITY

	Group	
	2020 RMB'000	**2019 RMB'000**
The amount recognised is determined as follows:		
Fair value of plan assets	**65,709**	63,160
Present value of plan liabilities	**(148,799)**	(143,157)
Net liability recognised	**(83,090)**	(79,997)

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

The Plan comprises 3 sections:

- The *pre 1992 section* – benefits were accrued on a purely defined benefit basis prior to 1 July 1992;
- The *1992-97 section* – benefits were accrued on a money purchase basis (defined contribution basis) subject to a Guaranteed Minimum Pension ("GMP") underpin between 1 July 1992 and 5 April 1997; and
- The *post 1997 section* – benefits were accrued on a purely money purchase basis with no underpin after 5 April 1997.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

22. PENSION LIABILITY (CONTINUED)

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

(i) asset value volatility – the scheme is predominantly invested in equity securities.

(ii) bond yields – a reduction in yields has the effect of increasing the value of the scheme's liabilities.

(iii) inflation risk – the pension liabilities are linked to inflation and therefore higher rates of inflation will increase the scheme liabilities.

(iv) Life expectancy – an increase in the life expectancy of scheme members will increase the value of the scheme's liabilities.

A comprehensive actuarial valuation using the projected unit basis was carried out at 31 December 2020 and 2019 by the independent consulting actuaries, Hughes Price Walker Limited.

	2020 RMB'000	2019 RMB'000
Movement of net liabilities recognised		
At 1 January	**(79,997)**	(80,949)
Interest expenses	**(1,481)**	(2,227)
Past service cost (Note A)	**(759)**	–
Re-measurement (losses)/gains	**(5,981)**	5,173
Contribution by scheme participants	**3,569**	3,049
Currency translation differences	**1,559**	(5,043)
At 31 December	**(83,090)**	(79,997)
Reconciliation of present value of plan liabilities		
At 1 January	**(143,157)**	(135,991)
Interest expenses	**(2,641)**	(3,721)
Past service cost	**(759)**	–
Re-measurement (losses)/gains:		
– Actuarial losses arising from changes in financial assumptions	**(11,460)**	(10,143)
– Actuarial (losses)/gains arising from changes in demographic assumptions	**(758)**	7,376
– Actuarial (losses)/gains arising from changes in experience adjustment	**(1,498)**	1,420
Benefits paid	**6,782**	6,319
Currency translation differences	**4,692**	(8,417)
At 31 December	**(148,799)**	(143,157)
Reconciliation of present value of plan assets		
At 1 January	**63,160**	55,042
Interest income	**1,160**	1,494
Re-measurement gains		
– Return on plan assets	**7,735**	6,519
Contributions by scheme participants	**3,569**	3,049
Benefits paid	**(6,782)**	(6,319)
Currency translation differences	**(3,133)**	3,375
At 31 December	**65,709**	63,160
Composition of plan assets		
Equities and equity linked gift fund	**11,174**	10,844
Gilts	**12,494**	12,180
Bonds	**7,170**	7,201
Absolute return investments	**18,764**	18,791
Cash annuities	**6,430**	5,772
Individual member funds at 1992-1997 DC section	**9,677**	8,372
Total plan assets	**65,709**	63,160

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

22. PENSION LIABILITY (CONTINUED)

The net interest expense on obligation amounting to RMB1,481,000 (2019: RMB2,227,000) was recognised in profit or loss as finance cost (Note 31). The re-measurement loss amounting to RMB5,981,000 (2019: remeasurement gains of RMB5,173,000) was recognised in "Other comprehensive income".

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

	2020	2019
Financial assumptions (%)		
Discount rate	**1.35**	1.95
Future pension increase	**3.00**	3.00
Inflation – RPI[(i)]	**2.95**	3.05
Inflation – CPI[(ii)]	**2.05**	2.15
Demographic assumptions (years)		
Mortality rates (expected future lifetime from age 65)		
– Male currently aged 65	**20.8**	20.6
– Male currently aged 45	**22.7**	22.5
– Female currently aged 65	**21.8**	21.7
– Female currently aged 45	**24.0**	23.8

(i) Retail price index in United Kingdom

(ii) Consumer price index in United Kingdom

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

	Change in assumption	Approximate increase in obligation	
		2020 RMB'000	2019 RMB'000
Discount rate	0.1% (2019: 0.1%) p.a. lower	**1,864**	1,798
Rate of mortality	improve by 0.5% (2019: 0.5%)	**2,488**	2,296

<u>Note A</u>

The above charges relate to Guaranteed Minimum Pension ("GMP") equalisation. In October 2018, the High Court of United Kingdom ("UK") concluded that UK pension schemes will need to take steps to equalise the benefits for males and females, in relation to differences in GMP between the gender. This is an estimated liability and is treated as a past service cost in "Other expenses" (Note 32) for the year ended 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

23. SHARE CAPITAL

	Company			
	2020		2019	
	Number of ordinary shares	RMB'000	Number of ordinary shares	RMB'000
At beginning and end of the year	**356,536,000**	**154,623**	356,536,000	154,623

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.

24. CAPITAL RESERVE

The capital reserve arises from the increase in paid-up capital of a subsidiary by capitalising its retained profits in accordance with the relevant rules and regulations of the People's Republic of China ("PRC"). On consolidation, the capitalised retained profits were reflected as a capital reserve of the Group. The capital reserve is non-distributable.

25. 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% (2019: 10%) of the statutory after tax profits, as determined in accordance with the applicable PRC accounting standards and regulations, must be transferred to the SR.

If the cumulative total of the SR reaches 50% (2019: 50%) of the respective 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 and the transfer to the SR must be made before the distribution of dividends to shareholders.

26. MERGER DEFICIT

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

27. FAIR VALUE (DEFICIT)/RESERVE

The fair value (deficit)/reserve arises from the changes in fair value of financial assets at FVOCI as disclosed in Note 14.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

28. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major type of goods and services.

	Group		
	At a point in time RMB'000	Over time RMB'000	Total RMB'000
By type of goods and services and timing of revenue recognition			
2020			
High Security			
– Sale of products	**960,491**	**–**	**960,491**
– Freight service income	**259**	**–**	**259**
Business Solutions			
– Sale of products	**276,215**	**–**	**276,215**
– Service and maintenance income	**–**	**36,935**	**36,935**
– Projects revenue	**465,146**	**23,894**	**489,040**
	1,702,111	**60,829**	**1,762,940**
2019			
High Security			
– Sale of products	920,887	–	920,887
– Freight service income	102	–	102
Business Solutions			
– Sale of products	164,352	–	164,352
– Service and maintenance income	–	43,324	43,324
– Projects revenue	728,902	24,592	753,494
	1,814,243	67,916	1,882,159

Payment is typically due when the goods are delivered to customers or completion of the project for both the High Security and Business Solutions segments, with 30 to 60 days credit term. No upfront payment is received from customers except as disclosed in part (b) below.

Breakdown of revenue by geographical location of customers is disclosed in Note 39.

(b) Contract balances

Contract with customers give rise to the following balances as at the reporting date:

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Trade receivables (Note 11)	**288,364**	257,253	**9,856**	35,766
Contract assets	**27,400**	25,337	**–**	–
Contract liabilities	**(58,079)**	(95,953)	**–**	(30)

Contract assets relate to the Group's right to consideration for work completed but yet to be billed at reporting date, which will be transferred to trade receivables when such rights become unconditional upon invoicing. Invoices are normally raised upon delivery of customised assembled electro mechanical parts and components. Contract assets increase as at 31 December 2020 as compared to 31 December 2019, due to milestone billings on project sales.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

28. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

(b) Contract balances (Continued)

Significant changes in the contract liabilities balance during the year are:

	Contract Liabilities	
	2020 RMB'000	**2019 RMB'000**
Amount included in opening balance recognised as revenue	**95,953**	74,425

Contract liabilities mainly relate to advance consideration received from customers for design and engineering of ticketing and vending machines. Contract liabilities decrease as at 31 December 2020 as compared to 31 December 2019, due to the timing of receipts and projects and lesser number of on-going projects.

(c) Performance obligations

The Group has applied the practical expedient to not disclose information about its remaining performance obligation as all of the Group's contracts has an original expected duration of one year or less.

(d) Assets recognised from incremental costs to obtain contracts

In addition to the contract balances disclosed above, the Group has also recognised an asset in relation to incremental costs to obtain design and engineering project contracts amounting to RMB1,167,000 in previous financial year ended 31 December 2019. The amount is not deemed to be significant, hence, it is included within "Other receivables, deposits and prepayments" (Note 12).

The incremental costs to obtain contracts related to sales commission paid or payable to employees for obtaining the contracts. These costs are amortised to the profit or loss as selling and distribution expenses on a basis consistent with the pattern of recognition of the associated revenue.

29. OTHER INCOME

	Group	
	2020 RMB'000	**2019 RMB'000**
Amortisation of deferred government grants (Note 21)	**686**	686
Government grants (Note A)	**13,737**	7,740
Foreign exchange gain, net	**–**	320
Fair value gain on forward currency contracts	**3,984**	2,606
Gain on settlement of forward currency contracts (Note 17)	**8,421**	484
Repair and maintenance income	**957**	1,492
Sales of steel scrap	**685**	1,978
Tooling and mould income	**–**	4,731
Rental income	**1,029**	1,253
Others	**2,458**	4,023
	31,957	25,313

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

29. OTHER INCOME (CONTINUED)

Note A

Government grants relate to one-off cash grants received from the local government authority in the PRC and UK. These cash grants are given to the subsidiaries without any conditions or contingencies attached.

Details of government grants are as follows:

	Group	
	2020 RMB'000	**2019 RMB'000**
Research and development subsidy	**2,065**	1,799
Technology grant	**978**	68
Company growth incentives	**3,402**	5,318
Job retention scheme	**6,134**	–
Others	**1,158**	555
	13,737	7,740

30. PERSONNEL EXPENSES

	Group	
	2020 RMB'000	**2019 RMB'000**
Wages, salaries and bonuses(i)	**436,894**	453,852
Other short-term employees' benefits(ii)	**13,686**	13,908
Total short-term employees' benefits	**450,580**	467,760
Post-employment benefits		
– Defined contribution plans(i)	**34,427**	41,748
– Defined benefit pension scheme	**2,240**	2,227
Termination benefit expenses	**–**	189
	487,247	511,924

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

(ii) Includes staff welfare and union funds.

31. FINANCE COSTS, NET

	Group	
	2020 RMB'000	**2019 RMB'000**
Finance income		
Interest income under effective interest rate method		
– Financial assets, at FVOCI	**–**	292
– Bank interest	**6,038**	4,409
	6,038	4,701
Finance costs		
Interest expenses		
– Bank loans	**(4,109)**	(7,229)
– Lease liabilities	**(2,083)**	(2,000)
– Lease liabilities with financial institutions	**(422)**	(385)
Net interest on net defined benefit liability (Note 22)	**(1,481)**	(2,227)
	(8,095)	(11,841)
Finance costs, net	**(2,057)**	(7,140)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

32. OTHER EXPENSES

	Group	
	2020 RMB'000	**2019 RMB'000**
Loss on disposal of property, plant and equipment	**239**	89
Loss on disposal of financial assets, at fair value	**48**	399
Foreign exchange loss, net	**7,592**	–
Impairment loss on property, plant and equipment (Note 3)	**1,602**	1,581
Impairment loss on right-of-use assets (Note 4)	**8,175**	9,496
Impairment loss on intangible assets (Note 8)	**11,435**	32,486
Write-down of right-of-use assets (Note 4)	**22,000**	–
Provision for idle land fee (Note 20)	**5,284**	–
Provision for onerous contracts (Note 20)	**27,166**	–
GMP equalisation past service cost (Note 22 (A))	**759**	–
Others	**833**	1,083
	85,133	45,134

33. PROFIT BEFORE TAX

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

	Note	Group	
		2020 RMB'000	**2019 RMB'000**
Amortisation of intangible assets	8	**13,722**	18,130
Allowance for stock obsolescence written back		**(20,772)**	(1,242)
Allowance for stock obsolescence		**20,763**	733
Auditors' remuneration			
– auditors of the Company		**1,393**	1,306
– other auditors		**1,305**	1,411
Non-audit fees paid to			
– auditors of the Company		**29**	25
– other auditors		**311**	990
Depreciation of property, plant and equipment	3	**30,982**	33,466
Depreciation of right-of-use assets	4	**16,987**	18,832
Directors' fees			
– directors of the Company	37	**1,984**	1,993
Directors' remuneration			
– directors of the Company	37	**2,124**	3,305
Short-term lease expenses not included in lease liabilities	19(ii)	**4,023**	6,726
Personnel expenses*	30	**487,247**	511,924
Research and development costs		**72,938**	75,574

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

34. INCOME TAX

	Group	
	2020 RMB'000	2019 RMB'000
Income tax		
– Current financial year	**23,266**	33,894
– Over provision in the prior years	**(318)**	(4,608)
Deferred tax (Note 9)		
– Current financial year	**(14,475)**	22,537
Withholding tax expense	**380**	576
	8,853	52,399

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

	Group	
	2020 RMB'000	2019 RMB'000
Profit before tax	**82,179**	131,508
Tax expenses based on PRC statutory tax rate of 25% (2019: 25%)	**20,545**	32,877
Tax concession in PRC	**(8,493)**	(14,798)
Differences in tax rates in different jurisdictions	**(3,567)**	(476)
Income not subject to tax	**(3,608)**	(1,514)
Tax incentive	**(12,526)**	(530)
Expenses not deductible	**9,683**	11,129
Current financial year tax losses carried forward and deductible temporary difference not recognised as deferred tax assets	**5,337**	8,508
Reversal of deferred tax assets recognised in prior years	**–**	19,175
Withholding tax expense	**380**	576
Overprovision in the previous financial years	**(318)**	(4,608)
Others	**1,420**	2,060
Income tax expense	**8,853**	52,399

The Company and Singapore subsidiaries

The Company and these subsidiaries are subject to applicable tax rate of 17% (2019: 17%).

Tri Star Inc. ("TSI") (PRC)
Jiangsu Tri Star Technology Co., Ltd. ("JTSTE") (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, TSI, being awarded the "High Technology Enterprise" status, enjoys a concessionary tax rate of 15%, from year 2011 to 2022 as compared to the statutory tax rate for PRC companies of 25%.

On 6 December 2019, JTSTE has also been awarded the "High Technology Enterprise" status for 3 years to 2021. As such, JTSTE enjoys a concessionary tax rate of 15% as compared to the statutory tax rate of PRC companies of 25%.

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

The above subsidiaries are subjected to applicable tax rate of 25% (2019: 25%).

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

34. INCOME TAX (CONTINUED)

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

The subsidiary is subject to applicable tax rate of 25% (2019: 25%). The subsidiary is dormant and has no taxable income for the period from the date of incorporation to 31 December 2020.

German subsidiaries

The subsidiaries are subject to applicable tax rates ranged from 28.43% to 33.26% (2019: 13.65% to 33.26%) subject to applicable trade tax and solidarity surcharge.

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

These subsidiaries are subject to applicable states tax rate of 8.84% (2019: 8.84%) and federal tax rate of 35% (2019: 35%).

Matrix Mechatronix IX Technology (Philippines) Corp.

This subsidiary is subject to applicable tax rate of 30% (2019: 30%).

Matrix Technologies Co., Ltd.

This subsidiary is subject to applicable tax rate of 20% (2019: 20%) in Vietnam.

Mechatronics Technology HK Limited

This subsidiary is subject to applicable tax rate of 16.5% (2019: 16.5%) in Hong Kong. It has no taxable income for the period from the date of incorporation to 31 December 2020.

The United Kingdom subsidiaries

The subsidiaries which are subject to applicable tax rate of 19% (2019: 19%), are in tax loss position.

Metric Tristarinc Limited

This subsidiary is subject to applicable tax rate of 20% (2019: 20%) in Ireland.

35. EARNINGS PER SHARE

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

	2020	2019
Profit attributable to the equity holders of the Company (RMB'000)	**73,326**	79,109
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)	**20.57**	22.19

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 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

36. DIVIDENDS

	Group	
	2020 RMB'000	**2019 RMB'000**
Declared during the financial year		
Dividends on ordinary shares:		
– Interim exempt (one-tier) dividend of SGD0.01 (2019: SGD0.01) per share	**17,165**	18,640

There is no final dividend proposed for the current financial year.

37. RELATED PARTY INFORMATION

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

	Group	
	2020 RMB'000	**2019 RMB'000**
(a) Transactions		
Purchase of raw materials from a related party[(i)]	**3,706**	894
Sales of finished goods to a related party[(i)]	**196**	137
Lease income received from a related party[(i)]	**203**	53
Lease payment paid to a related party[(i)]	**4,166**	4,166
(b) Compensation of key management personnel		
Short-term employees benefits[(ii)]	**7,928**	9,345
Defined contribution plans	**859**	480
Comprise amounts paid/payable to:		
Directors of the Company	**4,108**	5,298
Other key management personnel	**4,679**	4,527

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

(ii) Includes directors' fees of RMB1,984,000 (2019: RMB1,993,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

38. COMMITMENTS

(i) Operating lease commitments – as lessor

As at reporting date, there were operating lease commitments for rental of premises and equipment receivables in subsequent accounting year as follows:

	Group	
	2020 RMB'000	**2019 RMB'000**
Future minimum lease receipts		
– Not later than 1 year	**727**	1,091
– Later than 1 year and not later than 5 years	**–**	695
	727	1,786

(ii) Future capital expenditure

	Group	
	2020 RMB'000	**2019 RMB'000**
Capital expenditure contracted but not provided in the financial statements:		
– In respect of building construction in progress	**2,272**	4,218
Capital expenditure approved but not contracted for and provided in the financial statements:		
– Commitments in respect of a new research and development centre	**–**	104,376

39. SEGMENT INFORMATION

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

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

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

Other operations include investment holding companies with head-office corporate functions (including treasury function) and inactive companies. Expenses incurred by these companies, which mainly include remuneration for certain key management personnel under corporate functions, are presented as unallocated expenses in the reconciliation below. Assets held by these companies, mainly cash and bank balances and bond funds, are presented as unallocated assets in the reconciliation below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

39. 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 CEO. Segment assets reported to the Group CEO represents the total assets of the reportable segments. There are no inter-segment transactions.

2020	High Security RMB'000	Business Solutions RMB'000	Total RMB'000
Revenue			
External sales	960,750	802,190	1,762,940
Segment results			
Profit from operations	94,968	(5,734)	89,234
Finance costs, net			(2,057)
Unallocated expenses			(4,998)
Profit before tax			82,179
Income tax			(8,853)
Profit for the year			73,326
Segment assets			
Reportable segment assets	793,611	804,498	1,598,109
Unallocated assets			
– Cash and bank balances			77,292
– Others			831
			1,676,232

2020	High Security RMB'000	Business Solutions RMB'000	Total RMB'000
Other segment items			
Amounts included in the measure of segment assets:			
Additions to property, plant and equipment	11,425	6,181	17,606
Additions to right-of-use assets	1,442	2,667	4,109
Additions to intangible assets	–	5,962	5,962
Investment in associates	–	8,088	8,088
Amounts included in the measure of segment results:			
Depreciation of property, plant and equipment	16,623	14,359	30,982
Depreciation of right-of-use assets	13,287	3,700	16,987
Amortisation of intangible assets	3,697	10,025	13,722
Amortisation of deferred government grants	(322)	(364)	(686)
Fair value gain on forward contract	(3,830)	(154)	(3,984)
Gain on settlement of forward contract	(7,126)	(1,295)	(8,421)
Share of profits of associates	–	(1,281)	(1,281)
Allowance for stock obsolescence	14,837	5,926	20,763
Allowance for stock obsolescence written back	(10,301)	(10,471)	(20,772)
Impairment loss of financial assets	2,874	1,949	4,823
Impairment of property, plant and equipment	–	1,602	1,602
Impairment of right-of-use assets	–	8,175	8,175
Impairment of intangible assets	–	11,435	11,435
Research and development costs	29,410	43,528	72,938
Provision for onerous contracts	12,766	14,400	27,166
Write-down of ROU assets	10,000	12,000	22,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

39. SEGMENT INFORMATION (CONTINUED)

2019	High Security RMB'000	Business Solutions RMB'000	Total RMB'000
Revenue			
External sales	920,989	961,170	1,882,159
Segment results			
Profit from operations	125,967	19,293	145,260
Finance costs, net			(7,140)
Unallocated expenses			(6,612)
Profit before tax			131,508
Income tax			(52,399)
Profit for the year			79,109
Segment assets			
Reportable segment assets	719,777	876,641	1,596,418
Unallocated assets			
– Cash and bank balances			37,732
– Investment fund, mandatorily at FVPL			17,656
– Others			1,205
			1,653,011

2019	High Security RMB'000	Business Solutions RMB'000	Total RMB'000
Other segment items			
Amounts included in the measure of segment assets:			
Additions to property, plant and equipment	11,032	15,903	26,935
Additions to right-of-use assets	17,560	21,617	39,177
Additions to intangible assets	–	16,827	16,827
Investment in associates	–	8,607	8,607
Amounts included in the measure of segment results:			
Depreciation of property, plant and equipment	18,761	14,705	33,466
Depreciation of right-of-use assets	12,091	6,741	18,832
Amortisation of intangible assets	682	17,448	18,130
Amortisation of deferred government grants	(322)	(364)	(686)
Fair value gain on forward contract	(2,606)	–	(2,606)
Gain on settlement of forward contract	(484)	–	(484)
Share of profits of associates	–	(332)	(332)
Allowance for stock obsolescence	–	733	733
Allowance for stock obsolescence written back	(1,242)	–	(1,242)
Reversal of impairment loss of financial assets	(3,550)	(719)	(4,269)
Impairment of property, plant and equipment	–	1,581	1,581
Impairment of right-of-use assets	–	9,496	9,496
Impairment of intangible assets	–	32,486	32,486
Research and development costs	44,709	30,865	75,574

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

39. SEGMENT INFORMATION (CONTINUED)

Geographical segments

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

	PRC RMB'000	North & South America RMB'000	Europe RMB'000	Asia Pacific RMB'000	Africa RMB'000	Consolidated RMB'000
2020						
Revenue	**69,070**	**587,130**	**979,019(i)**	**127,721**	**–**	**1,762,940**
Non-current assets	**167,370**	**9,140**	**198,687(ii)**	**28,181**	**–**	**403,378**
2019						
Revenue	72,822	478,933	1,117,462(i)	208,642	4,300	1,882,159
Non-current assets	201,893	9,807	234,747(ii)	32,904	–	479,351

(i) Include revenue totaling RMB879,874,000 and RMB99,145,000 (2019: RMB992,646,000 and RMB119,992,000) derived from Germany and UK respectively.

(ii) Include assets of RMB198,687,000 and Nil (2019: RMB212,611,000 and RMB19,982,000) located in Germany and UK respectively.

Major customers

High Security Segment

Revenue of approximately RMB285,045,000 (2019: RMB247,931,000) is derived from a US company.

Revenue of approximately RMB154,271,000 (2019: RMB105,479,000) is derived from an external customer, listed on US Stock Exchange with operations worldwide.

In 2019, revenue of approximately RMB107,198,000 is derived from a German company and no revenue was contributed by this customer in 2020.

Business Solutions Segment

Revenue of approximately RMB4,680,000 (2019: RMB148,715,000) is derived from a state-owned company in the Germany.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

40. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

Categories of financial instruments

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

	Group		Company	
	2020 RMB'000	**2019 RMB'000**	**2020 RMB'000**	**2019 RMB'000**
Financial assets at amortised cost	**868,663**	740,546	**113,088**	112,399
Financial assets, at FVOCI	**–**	2,404	**–**	–
Financial assets, at FVPL	**6,590**	20,262	**–**	–
Financial assets	**875,253**	763,212	**113,088**	112,399
Financial liabilities at amortised cost	**427,410**	434,222	**89,558**	92,079

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

(i) Market risk

(a) Foreign exchange risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

40. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) *Foreign exchange risk* (Continued)

Group As at 31 December 2020	United States dollar RMB'000	Singapore dollar RMB'000	Chinese Renminbi RMB'000	Euro RMB'000	Great Britain Pound RMB'000	Others* RMB'000	Total RMB'000
Financial assets							
Contract assets	–	–	–	27,400	–	–	27,400
Trade receivables	189,397	–	7,417	65,838	25,712	–	288,364
Other receivables and deposits	626	–	3,801	4,754	5,020	633	14,834
Cash and bank balances	305,555	22,931	101,159	98,850	8,489	1,081	538,065
Derivative instrument	–	–	6,590	–	–	–	6,590
Intragroup receivables	185,730	68,489	46,880	252,970	74,931	–	629,000
	681,308	91,420	165,847	449,812	114,152	1,714	1,504,253
Financial liabilities							
Borrowings	5,290	–	55,832	64,835	33,877	10,864	170,698
Trade payables	31,073	–	60,905	23,638	10,818	101	126,535
Other payables and accruals	2,104	979	70,527	41,900	6,860	444	122,814
Due to related parties	–	6,527	836	–	–	–	7,363
Intragroup payables	185,730	68,489	46,880	252,970	74,931	–	629,000
	224,197	75,995	234,980	383,343	126,486	11,409	1,056,410
Net financial assets/(liabilities)	457,111	15,425	(69,133)	66,469	(12,334)	(9,695)	447,843
Add/(Less):							
Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(82,963)	(22,041)	69,458	125,363	46,470	10,338	146,625
Less: Forward currency contract	(236,282)	–	–	(74,552)	–	–	(310,834)
Net foreign currency exposure	137,866	(6,616)	325	117,280	34,136	643	283,634

* Others mainly comprise of Vietnam Dong and Hong Kong dollar

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

40. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) *Foreign exchange risk* (Continued)

Group As at 31 December 2019	United States dollar RMB'000	Singapore dollar RMB'000	Chinese Renminbi RMB'000	Euro RMB'000	Great Britain Pound RMB'000	Others* RMB'000	Total RMB'000
Financial assets							
Contract assets	–	–	–	25,337	–	–	25,337
Trade receivables	156,119	–	8,592	74,850	17,692	–	257,253
Other receivables and deposits	34	12	502	5,306	2,552	1,129	9,535
Cash and bank balances	138,634	684	198,557	92,911	15,933	1,702	448,421
Derivative instrument	–	–	2,606	–	–	–	2,606
Intragroup receivables	322,060	34,989	115,486	196,616	99,259	635	769,045
	616,847	35,685	325,743	395,020	135,436	3,466	1,512,197
Financial liabilities							
Borrowings	6,588	–	67,973	70,960	37,452	11,783	194,756
Trade payables	17,315	–	65,356	24,316	10,553	2,452	119,992
Other payables and accruals	936	2,709	47,155	54,676	6,004	204	111,684
Due to related parties	–	6,843	947	–	–	–	7,790
Intragroup payables	322,060	34,989	115,486	196,616	99,259	635	769,045
	346,899	44,541	296,917	346,568	153,268	15,074	1,203,267
Net financial assets/(liabilities)	269,948	(8,856)	28,826	48,452	(17,832)	(11,608)	308,930
Add/(Less):							
Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(144,006)	(4,774)	(25,923)	233,249	49,332	11,390	119,268
Less: Forward currency contract	(163,237)	–	–	(31,630)	–	–	(194,867)
Net foreign currency exposure	(37,295)	(13,630)	2,903	250,071	31,500	(218)	233,331

* Others mainly comprise of Vietnam Dong and Hong Kong dollar

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

40. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Company As at 31 December 2020	**United States dollar RMB'000**	**Singapore dollar RMB'000**	**Euro RMB'000**	**Great Britain Pound RMB'000**	**Total RMB'000**
Financial assets					
Trade receivables	9,856	–	–	–	9,856
Due from subsidiaries	–	–	42,746	2,721	45,467
Cash and bank balances	55,664	1,662	439	–	57,765
	65,520	1,662	43,185	2,721	113,088
Financial liabilities					
Trade payables	3,672	–	–	–	3,672
Other payables and accruals	20	1,470	441	3,325	5,256
Due to related parties	–	6,527	–	–	6,527
Due to subsidiaries	55,324	18,779	–	–	74,103
	59,016	26,776	441	3,325	89,558
Net financial assets/(liabilities)	6,504	(25,114)	42,744	(604)	23,530
Less: Net financial assets denominated in the Company's functional currency	(6,504)	–	–	–	(6,504)
Foreign currency exposure	–	(25,114)	42,744	(604)	17,026

Company As at 31 December 2019	**United States dollar RMB'000**	**Singapore dollar RMB'000**	**Euro RMB'000**	**Great Britain Pound RMB'000**	**Total RMB'000**
Financial assets					
Trade receivables	35,766	–	–	–	35,766
Due from subsidiaries	25,572	–	–	2,798	28,370
Cash and bank balances	47,520	646	97	–	48,263
	108,858	646	97	2,798	112,399
Financial liabilities					
Trade payables	2,095	–	–	–	2,095
Other payables and accruals	22	2,685	470	3,546	6,723
Due to related parties	–	6,842	–	–	6,842
Due to subsidiaries	75,932	487	–	–	76,419
	78,049	10,014	470	3,546	92,079
Net financial assets/(liabilities)	30,809	(9,368)	(373)	(748)	20,320
Less: Net financial assets denominated in the Company's functional currency	(30,809)	–	–	–	(30,809)
Foreign currency exposure	–	(9,368)	(373)	(748)	(10,489)

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

40. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Foreign exchange risk sensitivity

The following table details the sensitivity to a 10% (2019: 10%) appreciation of the respective functional currencies 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% (31 December 2019: 10%) change in foreign currency rates.

If the respective functional currency strengthens by 10% (2019: 10%) against the relevant foreign currency (SGD/USD/RMB/EUR/GBP), with all other variables held constant, the profit for the year will increase/(decrease) by:

	Group	Company
	Profit for the year RMB'000	Profit for the year RMB'000
2020		
USD	**(10,340)**	**n/a**
SGD	**496**	**2,085**
RMB	**(24)**	**–**
EUR	**(8,796)**	**(3,548)**
GBP	**(2,560)**	**50**
Others	**(48)**	**n/a**
2019		
USD	2,797	n/a
SGD	1,022	778
RMB	(218)	–
EUR	(18,755)	31
GBP	(2,363)	62
Others	16	n/a

* Amount is negligible.

A weakening of the respective functional currencies against the above currencies at 31 December 2020 and 2019 and 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 and EUR.

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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

NOTES TO **THE FINANCIAL STATEMENTS**

40. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(b) Interest rate risk

The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group obtains additional financing through bank borrowings. The Group constantly monitors its interest rate risk and does not utilise forward contracts or other arrangements for trading or speculative purposes. As at 31 December 2020, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

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

	Note	Group	
		2020 RMB'000	**2019 RMB'000**
Fixed rate instruments			
Financial assets			
– Fixed deposits	16	**38,882**	59,382
Financial liabilities			
– Bank loans	19	**(46,995)**	(47,442)
– Lease liabilities	19	**(53,835)**	(70,834)
		(61,948)	(58,894)
Variable rate instruments			
Financial liabilities			
– Bank loans	19	**(69,868)**	(76,480)

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 year and held constant throughout the reporting periods in the case of instruments that have floating rates.

If the interest rates had been 100 basis points higher or lower and all other variables had been held constant, the Group's profit for the year ended 31 December 2020 would (decrease)/increase by RMB582,000 (31 December 2019: RMB623,000) attributable to the Group's exposure to interest rate risk on its variable rates borrowings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

40. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk

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

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

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

Group	Due within 1 year or on demand RMB'000	Due after 1 year but less than 5 years RMB'000	Due after 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
2020					
Borrowings					
– Loans[(i)]	**102,730**	**12,923**	**5,669**	**121,322**	**116,863**
– Lease liabilities	**26,323**	**24,461**	**17,761**	**68,545**	**53,835**
Trade payables	**126,535**	**–**	**–**	**126,535**	**126,535**
Other payables and accruals	**122,814**	**–**	**–**	**122,814**	**122,814**
Due to a related party (trade)	**7,363**	**–**	**–**	**7,363**	**7,363**
	385,765	**37,384**	**23,430**	**446,579**	**427,410**
2019					
Borrowings					
– Loans[(i)]	113,488	12,780	2,544	128,812	123,922
– Lease liabilities	22,600	44,981	19,080	86,661	70,834
Trade payables	119,992	–	–	119,992	119,992
Other payables and accruals	111,684	–	–	111,684	111,684
Due to a related party (trade)	7,790	–	–	7,790	7,790
	375,554	57,761	21,624	454,939	434,222

(i) Included in the loans are Loan 2 which is classified as current liabilities due to the overriding clause to recall (Note 19) (2019: Loan 2, and Loan 4 due to technical breach). The banks have not demanded for immediate repayment despite the overriding clause.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

40. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (Continued)

Maturity profile of loans based on instalments payable

Group	Due within 1 year or on demand RMB'000	Due after 1 year but less than 5 years RMB'000	Due after 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
2020	**92,304**	**24,983**	**5,669**	**122,956**	**116,863**
2019	98,547	30,069	2,543	131,159	123,922

Company	Due within 1 year or on demand RMB'000	Due after 1 year but less than 5 years RMB'000	Due after 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
2020					
Trade payables	**3,672**	**–**	**–**	**3,672**	**3,672**
Other payables and accruals	**1,470**	**–**	**–**	**1,470**	**1,470**
Due to related parties	**6,527**	**–**	**–**	**6,527**	**6,527**
Due to subsidiaries	**74,103**	**–**	**–**	**74,103**	**74,103**
Financial guarantee contracts	**45,999**	**–**	**–**	**45,999**	**3,786**
	131,771	**–**	**–**	**131,771**	**89,558**
2019					
Trade payables	2,095	–	–	2,095	2,095
Other payables and accruals	2,685	–	–	2,685	2,685
Due to related parties	6,842	–	–	6,842	6,842
Due to subsidiaries	76,419	–	–	76,419	76,419
Financial guarantee contracts	48,999	–	–	48,999	4,038
	137,040	–	–	137,040	92,079

The financial guarantee contract represents the maximum amount of the guarantee and is allocated to the earliest period in which the guarantee could be called.

(iii) Credit risk

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

As the Group and the Company do not hold collateral, the carrying amounts of contract assets, trade and other receivables, derivative financial instruments, and cash and bank balances, represent the maximum exposure to credit risk in relation to financial assets, except for the financial guarantee contracts issued by the Company as disclosed in "Liquidity risk". No other financial assets carry a significant exposure to credit risk. The Group mitigates its credit risk exposure through a coverage of credit insurance against default or insolvency of selected customers, which is taken into account in assessing expected credit losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

40. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Cash and bank balances are placed with reputable financial institutions. Financial assets at FVPL represent financial products issued by a reputable financial institution with good credit rating. Therefore, credit risk arises mainly from the inability of its customers to make payments when due. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The Group's trade receivables are non-interest bearing and are generally on 30 – 60 days (2019: 30 – 60 days) term.

Top 5 balances (2019: 5) in the Group's contract assets and trade receivables comprise major customers from the USA and Germany, which are listed or multi-national corporations, and the balances at reporting date individually represented 2% to 32% (2019: 4% to 21%) of total balance of contract assets and trade receivables.

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

	Group	
	31 December 2020 RMB'000	**31 December 2019 RMB'000**
By geographical location of the customers		
– PRC	**23,986**	23,135
– Rest of Asia Pacific	**17,518**	7,050
– Europe[(i)]	**114,129**	121,124
– North & South America[(ii)]	**160,131**	103,901
– Africa	**–**	1,502
– Australia	**–**	25,878
	315,764	282,590

(i) Included amount of RMB93,010,000 and RMB18,708,000 (2019: RMB100,053,000 and RMB17,353,000) which are derived from Germany and UK respectively.

(ii) Included amount of RMB160,108,000 (2019: RMB103,321,000) which are derived from United States.

Expected Credit Losses

The Group manages credit losses based on Expected Credit Losses (ECL) model.

(A) Trade receivables and contract assets

The Group's exposure to credit risk from trade receivables and contract assets are linked to the individual characteristics of each customer, and also influenced by the default risk specific to the country and industry brought about by the general economic condition.

The Group uses qualitative and quantitative information like geographical location, profile of the customers, historical repayment trend, historical loss rates, probability of default from external credit rating agencies, if any, to group debtors with similar characteristics for purposes of the ECL assessment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

40. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Expected Credit Losses (Continued)

(A) Trade receivables and contract assets (Continued)

A summary of the Group's exposures to credit risk for trade receivables and contract assets is as follows:

Group	Gross carrying amount RMB'000	Probability of default rate %	ECL allowance RMB'000	Total RMB'000
2020				
Credit impaired[(i)]	**2,120**	**100.00**	**(2,120)**	**–**
Not credit-impaired				
Major customers with top 5 balances[(ii)]	**166,598**	**0.00 to 6.66**	**(2,092)**	**164,506**
Remaining customers[(iii)]	**152,389**	**0.00 to 7.68**	**(1,131)**	**118,289**
Trade receivables and contract assets	**321,107**		**(5,343)**	**315,764**
2019				
Credit impaired[(i)]	2,123	100.00	(2,123)	–
Not credit-impaired				
Major customers with top 5 balances[(ii)]	125,787	0.00 to 5.24	(736)	125,051
Remaining customers[(iii)]	158,148	0.00 to 6.25	(609)	157,539
Trade receivables and contract assets	286,058		(3,468)	282,590

The Group and the Company's mitigate the credit risks by entering into credit insurance policy for some of its major customers up to 90% of the credit losses subject to the insured limit. As at 31 December 2020, such balances included in the trade receivables amounted to RMB64,687,000.

(i) Trade receivables classified as credit impaired are customers individually identified, when customers fail to make contractual payment within 90 days when due, and their debts collection are not probable.

(ii) For these major customers with significant balance, the Group applied their published credit ratings (if available) or probability of default by industry and country from external credit rating agencies.

(iii) The Group assessed ECL allowance for remaining customers, based on historical loss experience, ageing profile, provision matrix and probability of default by industry and country extracted from external credit agencies' database. These are credit worthy customers with good payment history, and management has also considered forward-looking information and concluded that the ECL allowance is adequate.

The Group considers trade receivables are in default (credit-impaired) when the customers fails to make contractual payments within 90 days when due. When the receivables are overdue for 1 year, the Group write-off the balances while continuing to engage in enforcement activity to recover the balances.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

40. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Expected Credit Losses (Continued)

(A) Trade receivables and contract assets (Continued)

The movement of the lifetime ECL on trade receivables and contract assets are as follows:

Group	2020 RMB'000	2019 RMB'000
At 1 January	**3,468**	7,566
ECL allowance recognised/(reversed) during the year		
– New assets originated	**4,823**	800
– Reversal of unutilised amount	**–**	(4,888)
	4,823	(4,088)
Write-off	**(2,833)**	–
Currency translation differences	**(115)**	(10)
At 31 December	**5,343**	3,468

The net amount recognised in profit or loss comprise:

	2020 RMB'000	2019 RMB'000
ECL allowance (recognised)/reversed during the year	**4,823**	(4,088)
Recovery of receivable amount previously written off	**–**	(181)
Allowance for/(Reversal of) ECL to profit or loss	**4,823**	(4,269)

(B) Cash and cash equivalents

The Group held cash and cash equivalents of RMB538,065,000 (2019: RMB448,421,000) as at 31 December 2020. Cash and cash equivalents are held with financial institution counterparties, which is rated BB- to AA-, based on a reputable external credit rating agency.

Cash and cash equivalents have been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The amount of the ECL allowance on cash and cash equivalents is insignificant.

(C) Financial guarantees

At the reporting date, the Company has assessed the loans of its subsidiaries under its guarantee, the financial position of the subsidiaries as well as the economic outlook of the industries and countries in which its subsidiaries operate, and concluded that there has not been a significant increase in the credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Company is measured at an amount equal to 12-month expected credit losses (ECL) based on the probability of default from external rating agency where available and historical loss rates for each category of counterparty, and adjusted for forward looking data.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

40. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Expected Credit Losses (Continued)

(C) Financial guarantees (Continued)

	Company RMB'000
At 1 January 2020	**4,038**
Currency translation differences	**(252)**
At 31 December 2020	**3,786**
At 1 January 2019	13,641
Reversal of ECL allowance	(9,747)
New financial guarantee originated	144
At 31 December 2019	4,038

(D) Other receivables

The Group and Company uses a similar approach for assessment of ECL for its other receivables. Impairment on these balances has been calculated on the 12-month expected loss basis which reflects the low credit risks of the counterparties and short maturities of the exposures.

Management assessed that contract assets and other receivables have low credit risks and the ECL on these financial assets are insignificant.

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 19, 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 23 to 27.

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 2019.

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

41. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

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

– Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

– Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and

– Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The following table shows an analysis of financial instruments carried at fair value (recurring measurements) by level of fair value hierarchy as at 31 December 2020:

	Group			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2020				
Financial assets				
Recurring fair value measurements				
Financial asset, at FVOCI (Note 14)	**–**	**–**	**–***	**–***
Derivative financial instruments (Note 17)	**–**	**6,590**	**–**	**6,590**
	–	**6,590**	**–**	**6,590**
As at 31 December 2019				
Financial assets				
Recurring fair value measurements				
Financial asset, at FVOCI (Note 14)	–	–	2,404	2,404
Financial assets, at FVPL (Note 15)	–	17,656	–	17,656
Derivative financial instruments (Note 17)	–	2,606	–	2,606
	–	20,262	2,404	22,666

* Amount less than RMB1,000.

There have been no transfers between Level 1 to Level 3 during the financial years ended 31 December 2019 and 2020.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Amounts in thousands of Chinese Renminbi ("RMB'000"), unless otherwise stated)

41. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Determination of fair value

Financial assets, at FVOCI (Note 14):

As at 31 December 2019, fair value of the equity instruments is calculated using the discounted cash flow method based on the actual and forecasted free cash flows of the entity invested.

Financial assets, at FVPL (Note 15):

As at 31 December 2019, fair value of the investment funds is referenced to the valuations provided by the financial institution based on the net asset value of the investment funds.

Forward currency contracts (Note 17):

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

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

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

(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			
		31 December 2020		31 December 2019	
	Note	Carrying value RMB'000	Fair value RMB'000	Carrying value RMB'000	Fair value RMB'000
Loans – fixed rate	19(i)	**46,995**	**48,023**	47,442	48,357

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

SHAREHOLDERS' **INFORMATION**

AS AT 15 MARCH 2021

Class of equity securities	:	Ordinary Shares
Number of issued shares	:	356,536,000
Number of issued shares excluding treasury shares and subsidiary holdings	:	356,536,000
Voting rights	:	One vote per share

Treasury shares and subsidiary holdings

Number of treasury shares	:	Nil
Number of subsidiary holdings	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 – 99	1	0.15	1	0.00
100 – 1,000	92	13.71	75,904	0.02
1,001 – 10,000	273	40.69	1,513,694	0.42
10,001 – 1,000,000	284	42.32	21,766,800	6.11
1,000,001 and above	21	3.13	333,179,601	93.45
Total:	**671**	**100.00**	**356,536,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Spectacular Bright Corp.	152,438,956	42.76	–	–
Dr Johnny Liu[(1)]	–	–	152,438,956	42.76
Willalpha International Limited	56,282,864	15.79		
Liu Bin[(2)]	–	–	56,282,864	15.79
Droege Capital GmbH	31,509,000	8.84	–	–
Droege Group AG[(3)]	–	–	31,509,000	8.84
Droege Holding GmbH & Co. KG[(4)]	–	–	31,509,000	8.84
Walter P.J. Droege[(5)]	–	–	31,509,000	8.84
Stone Robert Alexander[(6)]	23,059,900	6.47	–	–

Notes:

(1) Dr Johnny Liu is deemed to be interested in the shares of the Company held by Spectacular Bright Corp ("**Spectacular**"), by virtue of his shareholding in Spectacular. Spectacular is an investment holding company and 60% of its profit will be distributed to the Tri Star Inc. management team, who don't have share voting right.

(2) Mr Liu Bin is deemed to be interested in the shares of the Company held by Willalpha International Limited ("**Willalpha**"), by virtue of his shareholding in Willalpha.

(3) Droege Group AG ("**Droege Group**"), being the sole shareholder of Droege Capital GmbH ("**Droege Capital**"), is deemed to be interested in the shares of the Company held by Droege Capital.

(4) Droege Holding GmbH & Co. KG ("**Droege Holding**"), being the sole shareholder of Droege Group, is deemed to be interested in the shares of the Company held by Droege Capital.

(5) Mr Walter P.J. Droege is deemed to be interested in the shares of the Company held by Droege Capital, by virtue of his shareholding in Droege Holding.

(6) 19,059,900 shares are registered under the name of Mr Stone Robert Alexander and 4,000,000 shares are held through OCBC Securities Pte. Ltd..

SHAREHOLDERS' **INFORMATION**

AS AT 15 MARCH 2021

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	SPECTACULAR BRIGHT CORP	152,438,956	42.76
2.	DBS NOMINEES PTE LTD	63,184,365	17.72
3.	HSBC (SINGAPORE) NOMINEES PTE LTD	31,554,000	8.85
4.	STONE ROBERT ALEXANDER	19,059,900	5.35
5.	OCBC SECURITIES PRIVATE LTD	12,867,800	3.61
6.	SHI YI	9,229,000	2.59
7.	DANIEL TAN POON KUAN	8,768,702	2.46
8.	LIM YOK LAN	7,355,000	2.06
9.	UOB KAY HIAN PTE LTD	4,336,900	1.22
10.	KIM SENG HOLDINGS PTE LTD	3,988,577	1.12
11.	CITIBANK NOMINEES SINGAPORE PTE LTD	3,331,400	0.93
12.	CHEN WENKUN	3,264,000	0.91
13.	PHILLIP SECURITIES PTE LTD	2,569,500	0.72
14.	ABN AMRO CLEARING BANK N.V.	1,983,300	0.56
15.	CHUA YUE PENG	1,957,100	0.55
16.	LIM TIONG KHENG STEVEN	1,370,000	0.38
17.	LOONG CHAY WAN	1,318,800	0.37
18.	RAFFLES NOMINEES (PTE) LIMITED	1,283,400	0.36
19.	LEW WING KIT	1,207,500	0.34
20.	TEO YONG PING (ZHANG RONGBIN)	1,100,000	0.31
	Total:	**332,168,200**	**93.17**

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on the information made available to the Company as at 15 March 2021, approximately 22.63% of the Company's issued shares (excluding treasury shares and subsidiary holdings) were held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Dutech Holdings Limited (the "**Company**") will be convened and held by way of electronic means on Wednesday, 28 April 2021 at 2.30 p.m. (Singapore time) 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 financial year ended 31 December 2020 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Articles 107 and 110 of the Constitution of the Company and who, being eligible, offer themselves for re-election:

   Dr Johnny Liu (retiring under Article 107) **(Resolution 2)**

   Mr Liu Bin (retiring under Article 107) **(Resolution 3)**

   Mr Graham Macdonald Bell (retiring under Article 110) **(Resolution 4)**

   Mr Chen Zhaohui, George (retiring under Article 110) **(Resolution 5)**

   Mr Graham Macdonald Bell will, upon his re-election as a Director of the Company, remain as the Chairman of the Nominating Committee, and a member of the Audit and Risk Committee and the Remuneration Committee.

   Mr Chen Zhaohui, George will, upon his re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee, and a member of the Audit and Risk Committee and the Nominating Committee.

3. To approve the payment of Directors' fees of S$396,000 for the financial year ending 31 December 2021 to be paid quarterly in arrears. **(Resolution 6)**

4. To re-appoint Messrs Crowe Horwath First Trust LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**

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

AS SPECIAL BUSINESS

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

6. **Continued Appointment of Mr Graham Macdonald Bell as Independent Director for the purposes of Rule 210(5)(d)(iii)(A)**

   That subject to and contingent upon the passing of Resolution 4 by shareholders and Resolution 9 by shareholders excluding the Directors, Chief Executive Officer, and their associates (as defined in the Listing Manual of Singapore Exchange Securities Trading Limited (the "**SGX-ST**"),

   (a) the continued appointment of Mr Graham Macdonald Bell as an Independent Director of the Company for the purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) be and is hereby approved; and

   (b) the authority conferred by this Resolution shall continue in force until the earlier of the following:

      (i) the retirement or resignation of Mr Graham Macdonald Bell as a Director; or

      (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

   [See Explanatory Note (i)] **(Resolution 8)**

7. **Continued Appointment of Mr Graham Macdonald Bell as Independent Director for the purposes of Rule 210(5)(d)(iii)(B)**

   That subject to and contingent upon the passing of Resolutions 4 and 8,

   (a) the continued appointment of Mr Graham Macdonald Bell as an Independent Director of the Company for the purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) be and is hereby approved; and

   (b) the authority conferred by this Resolution shall continue in force until the earlier of the following:

      (i) the retirement or resignation of Mr Graham Macdonald Bell as a Director; or

      (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

   [See Explanatory Note (i)] **(Resolution 9)**

NOTICE OF **ANNUAL GENERAL MEETING**

In compliance with Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022), the Directors, the Chief Executive Officer and their associates (as defined in the Listing Manual of the SGX-ST) shall abstain from voting on Resolution 9. The Company will disregard any votes cast by the shareholders who are Directors, the Chief Executive Officer and their associates in respect of their shareholding (if any) on Resolution 9. The Directors, the Chief Executive Officer and their associates must not accept any appointment as proxies unless specific instructions as to voting are given.

Mr Graham Macdonald Bell will, upon his continued appointment as an Independent Director of the Company, remain as the Chairman of the Nominating Committee, and a member of the Audit and Risk Committee and the Remuneration Committee.

8. **Continued Appointment of Mr Chen Zhaohui, George as Independent Director for the purposes of Rule 210(5)(d)(iii)(A)**

That subject to and contingent upon the passing of Resolution 5 by shareholders and Resolution 11 by shareholders excluding the Directors, Chief Executive Officer, and their associates (as defined in the Listing Manual of the SGX-ST,

(a) the continued appointment of Mr Chen Zhaohui, George as an Independent Director of the Company for the purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) be and is hereby approved; and

(b) the authority conferred by this Resolution shall continue in force until the earlier of the following:

(i) the retirement or resignation of Mr Chen Zhaohui, George as a Director; or

(ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

[See Explanatory Note (i)] **(Resolution 10)**

9. **Continued Appointment of Mr Chen Zhaohui, George as Independent Director for the purposes of Rule 210(5)(d)(iii)(B)**

That subject to and contingent upon the passing of Resolutions 5 and 10,

(a) the continued appointment of Mr Chen Zhaohui, George as an Independent Director of the Company for the purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) be and is hereby approved; and

(b) the authority conferred by this Resolution shall continue in force until the earlier of the following:

(i) the retirement or resignation of Mr Chen Zhaohui, George as a Director; or

(ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

[See Explanatory Note (i)] **(Resolution 11)**

In compliance with Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022), the Directors, the Chief Executive Officer and their associates (as defined in the Listing Manual of the SGX-ST) shall abstain from voting on Resolution 11. The Company will disregard any votes cast by the shareholders who are Directors, the Chief Executive Officer and their associates in respect of their shareholding (if any) on Resolution 11. The Directors, the Chief Executive Officer and their associates must not accept any appointment as proxies unless specific instructions as to voting are given.

Mr Chen Zhaohui, George will, upon his continued appointment as an Independent Director of the Company, remain as the Chairman of the Remuneration Committee, and a member of the Audit and Risk Committee and the Nominating Committee.

10. **Authority to issue shares**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the SGX-ST, the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("**shares**") 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

NOTICE OF **ANNUAL GENERAL MEETING**

(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,

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 and subsidiary holdings) 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 and subsidiary holdings) 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 and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) 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, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; 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 (ii)] **(Resolution 12)**

By Order of the Board

Chester Leong
Company Secretary
Singapore, 9 April 2021

Explanatory Notes:

(i) The proposed Ordinary Resolutions 8, 9, 10 and 11 are in anticipation of Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022.

With effect from 1 January 2022, Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST will provide that continued appointment as Independent Director, after an aggregate period of more than 9 years on the board, must be sought and approved in separate resolutions by (A) all shareholders and (B) shareholders excluding Directors, Chief Executive Officer, and their associates.

Mr Graham Macdonald Bell and Mr Chen Zhaohui, George have served on the Board for more than nine years since their appointment to the Board.

The proposed Ordinary Resolutions 8, 9, 10 and 11 are to seek approval from the shareholders via a two-tier voting process on the continued appointment of Mr Graham Macdonald Bell and Mr Chen Zhaohui, George as Independent Directors of the Company. Such approval, if obtained, will remain in force until the earlier of the following:

(a) the retirement or resignation of the relevant Director; or
(b) the conclusion of the third AGM of the Company following the passing of the relevant Ordinary Resolutions.

If such approval is not obtained, the relevant Director (if he continues to hold office as of 1 January 2022) will be regarded as non-independent with effect from 1 January 2022 and re-designated as Non-Executive Director.

NOTICE OF **ANNUAL GENERAL MEETING**

(ii) The Ordinary Resolution 12 in item 10 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 and subsidiary holdings) 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 and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) 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, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST, and any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

1. The Annual General Meeting is being convened and will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternate Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice will not be sent to members. Instead, this Notice will be sent to members by electronic means via publication on the Company's website at the URL www.dutechholdings.com. This Notice will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.

2. Alternative arrangements relating to attendance at the Annual General Meeting via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the Annual General Meeting, addressing of substantial and relevant questions at the Annual General Meeting and voting by appointing the Chairman of the Meeting as proxy at the Annual General Meeting, are set out in the accompanying Company's announcement dated 8 April 2021. This announcement may be accessed at the Company's website at the URL www.dutechholdings.com and will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.

3. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Annual General Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting if such member wishes to exercise his/her/its voting rights at the Annual General Meeting.** The accompanying proxy form for the Annual General Meeting may be accessed at the Company's website at the URL www.dutechholdings.com, and will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.

   Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of Chairman of the Meeting as proxy for that resolution will be treated as invalid.

   CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days prior to the AGM (by 5.00 p.m. on 16 April 2021).

4. The Chairman of the Meeting, as proxy, need not be a member of the Company.

5. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

   (a) if submitted by post, be lodged at the Registered Office of the Company at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or

   (b) if submitted electronically, be submitted via email to the Company's Share Registrar at main@zicoholdings.com,

   in either case not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

   A member who wishes to submit instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

6. The Annual Report 2020 may be accessed at the Company's website at the URL www.dutechholdings.com.

Personal data privacy:
By submitting an instrument appointing the Chairman of the Meeting to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

ADDITIONAL INFORMATION ON DIRECTORS PROPOSED FOR RE-ELECTION

Dr Johnny Liu and Mr Liu Bin (retiring pursuant to Article 107 of the Constitution of the Company), and Mr Graham Macdonald Bell and Mr Chen Zhaohui, George (retiring pursuant to Article 110 of the Constitution of the Company) (collectively, the "**Retiring Directors**"), will be seeking re-election at the forthcoming annual general meeting ("**AGM**") of the Company scheduled to be held on Wednesday, 28 April 2021 under Ordinary Resolutions 2, 3, 4 and 5 as set out in the Notice of AGM dated 9 April 2021.

Pursuant to Rule 720(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the information relating to the Retiring Directors set out in Appendix 7.4.1 as required under the Listing Manual of the SGX-ST is disclosed below:

Name of Director	**Dr Johnny Liu**	**Liu Bin**
Date of Appointment	2 November 2006	26 March 2007
Date of last re-appointment (if applicable)	26 April 2018	26 April 2018
Age	58	69
Country of principal residence	China	China
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Not applicable	Not applicable
Whether appointment is executive, and if so, the area of responsibility	Executive. He is the Executive Chairman, CEO and is responsible for the business direction, strategies and development of our Group.	Executive. He is the Vice Chairman and the main contact person with the local regulatory and tax authorities in Nantong in relation to the regulatory compliance aspects of our business.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman and Chief Executive Officer	Executive Vice-Chairman
Professional qualifications	• Bachelor and Master degree from Shanghai Jiao Tong University • Doctorate from Auburn University, Alabama, USA	Not applicable
Working experience and occupation(s) during the past 10 years	• November 2006 to present: Executive Chairman and Chief Executive Officer of the Company	• March 2007 to present: Executive Vice-Chairman of the Company
Shareholding interest in the listed issuer and its subsidiaries	Dr Johnny Liu is deemed to be interested in 152,438,956 shares of the Company held by Spectacular Bright Corp ("**Spectacular**"), by virtue of his shareholding in Spectacular.	Mr Liu Bin is the beneficial owner of 56,282,864 shares of the Company held through DBS Nominees Private Ltd.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Dr Johnny Liu is the brother of Mr Liu Bin, Executive Director and Substantial Shareholder of the Company.	Mr Liu Bin is the brother of Dr Johnny Liu, Executive Chairman and Chief Executive Officer, and Substantial Shareholder of the Company.

ADDITIONAL INFORMATION ON DIRECTORS PROPOSED FOR RE-ELECTION

Name of Director	Dr Johnny Liu	Liu Bin
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments including Directorships		
Past (for the last 5 years)	Nil	Nil
Present	• Duowei Electromechanical (Tongzhou) Co., Ltd. • Nantong Mayway Products Corp. • Spectacular Bright Corp. • Tri Star International Co., Ltd. • Tri Star Shanghai Electronics • TSI Metals Corp. • TSI Metals HK Limited • European Security Systems Association (ESSA)	• Willalpha International Limited • Wellwield Investment Holdings Pte Limited • Nantong Mayway Products Corp. • Nantong Wiedson Hi-Wits Precision Co., Ltd. • Kewell Products Corporation
Information required pursuant to Listing Rule 704(7)		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No

ADDITIONAL INFORMATION ON DIRECTORS PROPOSED FOR RE-ELECTION

Name of Director	Dr Johnny Liu	Liu Bin
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No

ADDITIONAL INFORMATION ON DIRECTORS PROPOSED FOR RE-ELECTION

Name of Director	Dr Johnny Liu	Liu Bin
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No

ADDITIONAL INFORMATION ON DIRECTORS PROPOSED FOR RE-ELECTION

Name of Director	Dr Johnny Liu	Liu Bin
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer or prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable	Not applicable

ADDITIONAL INFORMATION ON DIRECTORS PROPOSED FOR RE-ELECTION

Name of Director	**Graham Macdonald Bell**	**Chen Zhaohui, George**
Date of Appointment	4 June 2007	4 June 2007
Date of last re-appointment (if applicable)	25 April 2019	25 April 2019
Age	66	55
Country of principal residence	Singapore	China
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Not applicable	Not applicable
Whether appointment is executive, and if so, the area of responsibility	Non-executive	Non-executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	• Independent Director • Nominating Committee Chairman • Audit and Risk Committee member • Remuneration Committee member	• Independent Director • Remuneration Committee Chairman • Audit and Risk Committee member • Nominating Committee member
Professional qualifications	Not applicable	• Bachelor in Mechanical Engineering degree from Shanghai University • Master of Science degree in Manufacturing System Engineering from Auburn University • Master of Business Administration (MBA) degree from Auburn University
Working experience and occupation(s) during the past 10 years	• 20 July 2000 to present: Chairman, Graham Bell & Associates Pte Ltd • 9 February 2004 to present: Director, Marine Claims Office of Asia Pte Ltd • 1 August 2017 to present: Director, ERC Equipoise Pte Ltd • 18 November 2020 to present: Director, Peak Helium Pte Ltd • 21 January 2021 to present: Director, Peak Helium Pty Ltd (Australia)	January 2010 to present: General Manager, Trimble Inc. and Trimble Electronic Products (Shanghai) Co., Ltd.
Shareholding interest in the listed issuer and its subsidiaries	Mr Graham Macdonald Bell is deemed to be interested in 17,000 shares of the Company held through his nominee.	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil

ADDITIONAL INFORMATION ON DIRECTORS PROPOSED FOR RE-ELECTION

Name of Director	Graham Macdonald Bell	Chen Zhaohui, George
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments including Directorships		
Past (for the last 5 years)	Nil	Nil
Present	• Asian Alchemy Ltd • Churchmead Group Ltd • Display Enterprises Ltd • ERC Equipoise Pte Ltd • Graham Bell & Associates Ltd • Graham Bell & Associates Pte Ltd • The Glengarry Group Ltd • The Lemuria Group Ltd • Maine Claims Office of Asia Pte Ltd • Premium Gain International Pte Ltd • Peak Helium Pte Ltd • Peak Helium Pty Ltd (Australia)	• Trimble Inc. • Trimble Electronic Products (Shanghai) Co., Ltd. • Trimble Leading Electronic Technology (Shanghai) Co., Ltd.
Information required pursuant to Listing Rule 704(7)		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No

ADDITIONAL INFORMATION ON DIRECTORS PROPOSED FOR RE-ELECTION

Name of Director	Graham Macdonald Bell	Chen Zhaohui, George
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No

ADDITIONAL INFORMATION ON DIRECTORS PROPOSED FOR RE-ELECTION

Name of Director	Graham Macdonald Bell	Chen Zhaohui, George
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No

ADDITIONAL INFORMATION ON DIRECTORS PROPOSED FOR RE-ELECTION

Name of Director	Graham Macdonald Bell	Chen Zhaohui, George
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer or prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable	Not applicable

DUTECH HOLDINGS LIMITED

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

PROXY FORM

IMPORTANT:

1. The Annual General Meeting is being convened and will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of Annual General Meeting will not be sent to members. Instead, the Notice of Annual General Meeting will be sent to members by electronic means via publication on the Company's website at the URL www.dutechholdings.com. The Notice of Annual General Meeting will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.
2. Alternative arrangements relating to attendance at the Annual General Meeting via electronic means (including arrangements by which the meeting can be electronically access via live audio-visual website or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the Annual General Meeting, addressing of substantial and relevant questions at the Annual General Meeting and voting by appointing the Chairman of the Meeting as proxy at the Annual General Meeting, are set out in the accompanying Company's announcement dated 8 April 2021. This announcement may be accessed at the Company's website at the URL www.dutechholdings.com and will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.
3. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Annual General Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting if such member wishes to exercise his/her/its voting rights at the Annual General Meeting.
4. CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days prior to the AGM (by 5.00 p.m. on 16 April 2021).
5. By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 9 April 2021.
6. **Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the Meeting as a member's proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting.**

I/We, (Name) ____

(NRIC/Passport/Company Registration No.) ______________________________

of (Address) ____

being a member/members of **Dutech Holdings Limited** (the "**Company**"), hereby appoint the Chairman of the Meeting as my/our proxy to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be convened and held by way of electronic means on Wednesday, 28 April 2021 at 2.30 p.m. (Singapore time) and at any adjournment thereof.

I/We have indicated with an "X" in the appropriate box against each item below on how I/we wish the Chairman of the Meeting as my/our proxy to vote, or to abstain from voting.

No.	Resolutions relating to:	For	Against	Abstain
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2020			
2	Re-election of Dr Johnny Liu as a Director			
3	Re-election of Mr Liu Bin as a Director			
4	Re-election of Mr Graham Macdonald Bell as a Director			
5	Re-election of Mr Chen Zhaohui, George as a Director			
6	Approval of Directors' fees amounting to S$396,000 for the financial year ending 31 December 2021 to be paid quarterly in arrears			
7	Re-appointment of Messrs Crowe Horwath First Trust LLP as Auditors			
8	Continued Appointment of Mr Graham Macdonald Bell as Independent Director for the purposes of Rule 210(5)(d)(iii)(A)			
9	Continued Appointment of Mr Graham Macdonald Bell as Independent Director for the purposes of Rule 210(5)(d)(iii)(B)			
10	Continued Appointment of Mr Chen Zhaohui, George as Independent Director for the purposes of Rule 210(5)(d)(iii)(A)			
11	Continued Appointment of Mr Chen Zhaohui, George as Independent Director for the purposes of Rule 210(5)(d)(iii)(B)			
12	Authority to issue shares			

Note: Voting will be conducted by poll. If you wish the Chairman of the Meeting as your proxy to cast all your votes "For" or "Against" a resolution, please indicate with an "X" in the "For" or "Against" box provided in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For or "Against" box provided in respect of that resolution. If you wish the Chairman of the Meeting as your proxy to abstain from voting on a resolution, please indicate with an "X" in the "Abstain" box provided in respect of that resolution. Alternatively, please indicate the number of shares that the Chairman of the Meeting as your proxy is directed to abstain from voting in the "Abstain" box provided in respect of that resolution. **In the absence of specific directions in respect of a resolution, the appointment of Chairman of the Meeting as your proxy for that resolution will be treated as invalid.**

Dated this ________ day of April 2021

Total number of Shares held:

____

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

Notes:

1. Please insert the total number of shares (Shares) held by you. If you have Shares entered against your name in the Depository Register (maintained by the Central Depository (Pte) Limited), you should insert that number of Shares. If you have shares registered in your name in the Register of Members (maintained by or on behalf of the Company), 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. If no number is inserted, this instrument of proxy will be deemed to relate to all Shares held by you.

2. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Annual General Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting if such member wishes to exercise his/her/its voting rights at the Annual General Meeting.** This proxy form may be accessed at the Company's website at the URL www.dutechholdings.com, and will be also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

   CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days prior to the AGM (by 5.00 p.m. on 16 April 2021).

3. The Chairman of the Meeting, as proxy, need not be a member of the Company.

4. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

   (a) if submitted by post, be lodged at the Registered Office of the Company at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or

   (b) if submitted electronically, be submitted via email to the Company's Share Registrar at main@zicoholdings.com,

   in either case not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

   A member who wishes to submit instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

5. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy 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 the Chairman of the Meeting as proxy 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 (failing previous registration with the Company), if the instrument appointing the Chairman of the Meeting as proxy is submitted by post, be lodged with the instrument of proxy or, if the instrument appointing the Chairman of the Meeting as proxy is submitted electronically via email, it must be emailed with the instrument, failing which the instrument may be treated as invalid.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 9 April 2021.

General:

The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy 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 the Chairman as proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as proxy lodged or submitted if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

CORPORATE **INFORMATION**

BOARD OF DIRECTORS
Dr. Johnny Liu
(Executive Chairman and CEO)
Liu Bin
(Executive Vice Chairman)
Dr. Hedda Juliana im Brahm-Droege
(Non-Executive Director)
Christoph Hartmann
(Non-Executive Director)
Tan Yee Peng
(Lead Independent Director)
Graham Macdonald Bell
(Independent Director)
Chen Zhaohui, George
(Independent Director)

AUDIT AND RISK COMMITTEE
Tan Yee Peng
(Chairman)
Graham Macdonald Bell
Chen Zhaohui, George
Christoph Hartmann

NOMINATING COMMITTEE
Graham Macdonald Bell
(Chairman)
Tan Yee Peng
Chen Zhaohui, George

REMUNERATION COMMITTEE
Chen Zhaohui, George
(Chairman)
Graham Macdonald Bell
Tan Yee Peng
Dr. Hedda Juliana im Brahm-Droege

COMPANY SECRETARY
Chester Leong Chang Hong

COMPANY'S REGISTERED OFFICE
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

COMPANY REGISTRATION NUMBER
200616359C

COMPANY'S PRINCIPAL PLACE OF BUSINESS
11F 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
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Tel: (86) 513 8655 7000
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SHARE REGISTRAR
B.A.C.S. Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

AUDITORS
Crowe Horwath First Trust LLP
9 Raffles Place
#19-20 Republic Plaza Tower 2
Singapore 048619

PARTNER-IN-CHARGE
Teo Yen Lin
(Appointed with effect from financial year 2020)

PRINCIPAL BANK
Overseas-Chinese Banking Corporation Limited
China Construction Bank

Dutech Holdings Limited

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