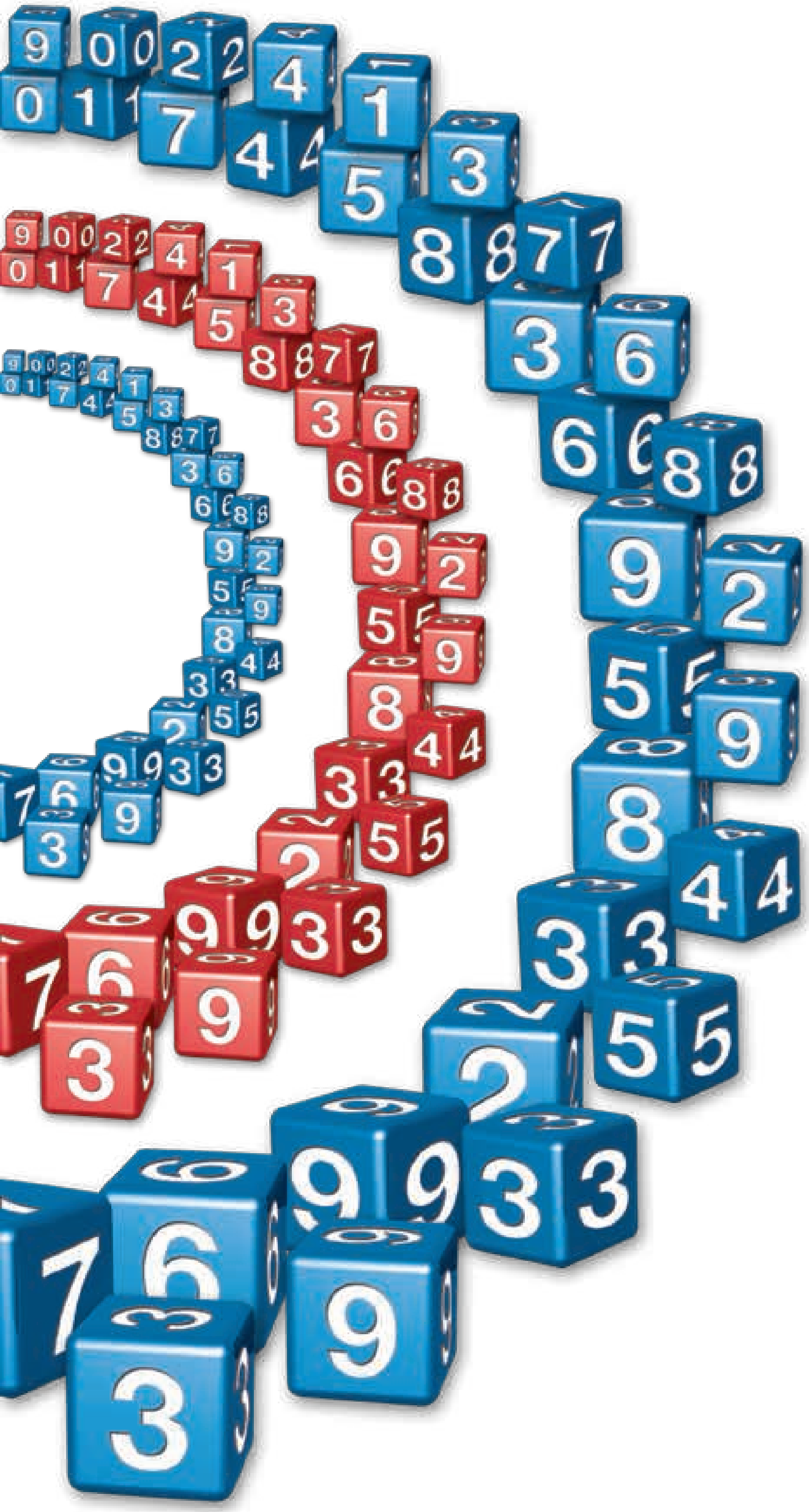


Dutech Holdings Limited

2014
ANNUAL REPORT

CONTENTS

ABOUT DUTECH

Incorporated in Singapore in 2006, Dutech Holdings Limited (the "Company" or "Dutech") and its subsidiaries (the "Group") has developed into a global leading manufacturer of high security products. The Group's UL- and CEN-certified products include ATM safes, banking safes, commercial safes, and cash handling systems. The Group also designs and manufactures intelligent terminals and provides other business solutions to its customers.

The Group's origin can be traced to Nantong Hi-Wits Precision Co. Ltd, which was established in 2000 by Dr. Johnny Liu with his partners. The Group's headquarter is located in Shanghai, which serves as the center for research and development, marketing, customer service, corporate development, and financial planning. Its manufacturing and service facilities are strategically located in China, Germany and USA.

In recognition of its outstanding capabilities, the Group has received numerous awards, amongst them the "200 Best Companies under US$1 Billion in Sales" by Forbes Asia Magazine in 2008, the "Best 50 Chinese Companies in the next 30 Years" by Founder Magazine in 2008, the "Best Suppliers" by Wincor Nixdorf, the "Golden Award" by Diebold in 2012 and 2013, and the "Quality Supplier" by Scientific Games in 2014.

The Group is proud of its strong research and development capabilities, vertically integrated solutions and large-scale operations, which enable it to offer high quality products to its customers at competitive prices with demanding lead time. The Group has a global market presence in all major countries. Our reputable customers include Hitachi, Wincor Nixdorf, Liberty Safe & Security Products Inc., Tractor Supply Co., Costco Co., Glory Ltd., SGI, Bauhaus, Schaefer Shop, Trumpf, and Amada.

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

CHAIRMAN'S MESSAGE

On behalf of the Board of Directors of Dutech Holdings Limited ("Dutech" or the "Group"), I am pleased to present the Group's annual report for the financial year ended 31 December 2014 ("FY2014").

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Dutech Holdings Limited ("Dutech" or the "Group"), I am pleased to present the Group's annual report for the financial year ended 31 December 2014 ("FY2014").

FINANCIAL REVIEW

The Group maintained a steady performance for the financial year, reporting revenue of RMB1,050.9 million. This represented a marginal increase of 2.3% or RMB23.3 million over last year, which was due to higher sales from the Business Solutions Segment.

For the year, demand for gun safes in the United States ("US") has waned significantly compared to a spike in demand in the previous year, leading to an 11.2% decline in the sales of High Security Segment to RMB859.6 million over last year. The Business Solutions Segment registered RMB191.3 million in sales, comprising the consolidated results of both the previous Semiconductors Segment and the Group's newly acquired subsidiary, Deutsche Mechatronics GmbH ("DTMT"). Excluding contribution from DTMT, Business Solutions Segment's sales rose by 38.6% or RMB23.0 million to RMB82.4 million, on the back of increased demand for the Group's precision products.

In terms of profitability, gross profit increased by 5.4% to RMB256.6 million while gross margin improved from 23.7% in FY2013 to 24.4% in FY2014. The improvement was due to a strategic change in product mix and better cost control for the High Security Segment, which boosted its gross margin from 23.2% in FY2013 to 25.6% in FY2014. For the Business Solutions Segment, gross margin was lower at 19.3% in FY2014 compared to 32.6% in FY2013, mainly due to the acquisition of DTMT. Excluding the impact from the acquisition of DTMT, the Business Solutions Segment's gross margin would be marginally lower at 31.4% in FY2014, compared to 32.6% in FY2013.

Owing to the decline in the sales of gun safes, selling and distribution expenses decreased by 6.1% to RMB57.6 million due to lower commission, after-sales service and promotional expenses. Administrative expenses including research and development cost, however, were higher at RMB113.9 million with the consolidation of DTMT's results during the year.

With a one-off gain of RMB55.9 million from the acquisition of DTMT recognised in FY2014, Dutech's net profit after tax stood at RMB144.8 million, up 44.3% from the last year.

The Group continued to maintain a solid financial position as at 31 December 2014. Non-current assets increased by RMB126.5 million to RMB319.6 million, mainly due to the inclusion of DTMT's assets and other additional assets of our China subsidiaries. With the increase in inventories, trade receivables and advance to suppliers, current assets grew by RMB54.4 million to RMB517.6 million. Current liabilities also trended up by RMB25.8 million to RMB205.2 million due to higher borrowings, other payables and accruals as well as derivative financial instruments. As a result of the net profit generated during the period, Group's shareholders' equity improved from RMB462.7 million to RMB604.9 million representing an increase of 30.7% over the last financial period.

As at year end, the Group's cash and cash equivalents position remained healthy at RMB77.8 million. In addition, the Group invested RMB100.0 million in "Cash Pool" treasury products issued by Ping An Trust and Hua Tai Securities (平安信托及华泰证券发行的资金池理财产品) which held maturity periods ranging from three to six months. The "Cash Pool" treasury products are classified under "available-for-sale financial assets" in the balance sheet. Net cash generated from operating activities was RMB102.8 million, which was due to the operating profit before working capital changes, decrease in inventories, other receivables, deposits and prepayments, and increase in other payables and accruals. This was partially offset by the decrease in trade payables, increase in trade receivables and increase in advances to suppliers. With the addition of property, plant and equipment, land use rights, and purchase of available-for-sale financial assets, net cash used in investing activities amounted to RMB149.1 million for the year, which was offset by the net cash inflow arising from the acquisition of DTMT, settlement of forward contracts and interest received. Net cash used in financing activities was RMB39.6 million, primarily due to the payment of dividends and the repayment of short-term loans.

BUSINESS REVIEW

Dutech is a global leading manufacturer of high security equipment. As a leading Original Design Manufacturer ("ODM") and the largest producer in Asia in terms of sales and production capacity, we supply a wide range of high security products such as Automated Teller Machines ("ATM") safes, gun safes, commercial safes, and cash handling systems for both commercial and residential uses. Additionally, the Group designs and manufactures intelligent terminals, electro-mechanical equipment and other business solutions products to our customers in various industries such as semi-conductor, automotive and printing. Our production facilities in China and Germany are Underwriters Laboratories ("UL") and CEN certified and we have established presence in all major markets.

TURNAROUND OF FORMAT

One of the key highlights for the Group in FY2014 included the encouraging turnaround of Format, a German-based safe specialist arm we acquired in 2011. After two years of restructuring and streamlining, Format was steered back into the black along with the materialisation of significant synergies within the Group. Working together with Format, we have gained firmer footholds in the European and the US markets by tapping on its solid brand, wide base of clientele and technology expertise. Supported by the Group's production facilities across China and Europe, we are now able to serve our global customers better

with one-stop global supply chain solutions, delivering the highest quality products within the shortest lead-time.

ACQUISITION OF DTMT

Since 2013, the Group has broadened our reach into the intelligent terminal business, developing products such as gaming and ticketing machines. The venture has started to bear fruit, especially after we secured a key customer in the gaming industry this year, which further fuelled our confidence and optimism about the growth opportunities in this sector.

To further strengthen this segment of our business, we acquired DTMT, a leading electro-mechanics solutions provider in Germany this year. The Group seeks to capitalise on DTMT's strengths to elevate our technological capabilities and know-how which opens up vast opportunities for Dutech to expand our spectrum of the intelligent terminal business.

OPERATION

As the industry evolves with ever-growing demands for higher security standards, our continuous emphasis on R&D has been critical in augmenting the Group's market and technological leadership. Dutech is among the very few ATM safe manufacturers in Asia with CEN certification by the European Committee for Standardisation, as verified by accreditation organisations such as CNPP of France and VdS of Germany. Our list of certifications also includes UL certification and the China Compulsory Certification ("CCC").

In FY2014, our two new ATM safe models achieved the European Certification Board of Security ("ECB.S") Grade IV, the highest level of certification for ATM safe in Asia to date.

We have also developed and launched a new product NC3000II, a bank-note deposit machine likened to a simplified ATM with the same core functions but at a much affordable price to our customers. The machine allows retailers to safely deposit cash overnight, credit their bank accounts on the

CHAIRMAN'S MESSAGE

same day and collect the cash when the system indicates that the safe is full. This marked a major breakthrough for the Group in providing a full-suite solution to our customers. NC3000II was very well-received in the market and we are currently developing an upgraded version.

In addition, we re-designed the Visual Quality Check Machine which was developed by DTMT, to significantly reduce its costs and our new model, VQC12/20-E, is in the field testing stage. A high technology product which integrates computer numeric control, image recognition and auto measuring features, the machine is capable of scanning a processed sheet metal of 3.6m in length and 1.2m in width in five minutes with inspection accuracy at 50μm. We are able to market and sell this new machine on a larger scale at a much lower price.

To cap off our R&D achievements in the year, we were awarded over 10 new patents in China.

OUTLOOK AND FUTURE PLANS

While the US is on the road to economic recovery, other markets including Europe and Japan are still plagued with uncertainties and slow growth. In China, the economy is experiencing a gradual decrease in growth to below 7%, following various intensive measures adopted by the government to reorient the economy towards consumption.

The global markets for ATM safes are set to continue to expand, driven by the growing banking networks in developing countries. Based on a forecast by global industry research firm Retail Banking Research ("RBR"), the number of ATM systems will increase worldwide to 3.7 million by 2018, compared with the existing 2.6 million in 2014[i]. We also anticipate the demand for gun safes to stabilise in FY2015.

Going forward, we will continue to work towards strengthening our leadership position as a global one-stop solutions provider by expanding into new geographical markets and broadening our range of offerings. Another key focus will be on growing our intelligent terminal business which includes self-service security machine, gaming terminal and ticketing machine.

We also remain committed to our ongoing R&D initiatives to design and develop innovative solutions with advanced know-how, so that the Group can stay ahead of the competition and move further up the value chain with better high security products and breakthroughs in the intelligent terminals business. Operationally, the Group will focus on the restructuring and turnaround of DTMT, and improving our efficiencies, raising productivity and upholding quality standards.

APPRECIATION

I am grateful to our customers, business partners, suppliers, associates and shareholders who have demonstrated unwavering support and confidence in Dutech over the years. I would also like to thank my fellow directors for their strategic guidance and advice, not forgetting the management team and all our staff for their great dedication and hard work.

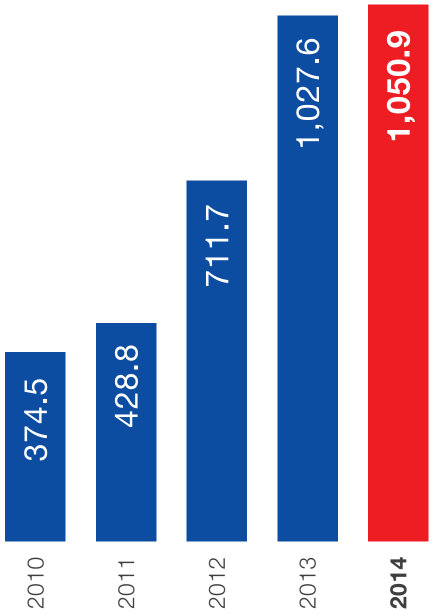
With our strategies in place and your continued support, I am confident Dutech will stand in good stead to achieve sustainable growth and to realise our vision of becoming a world-class solutions provider in the markets we serve in the years to come.

DR. JOHNNY LIU JIAYAN
Chairman & CEO

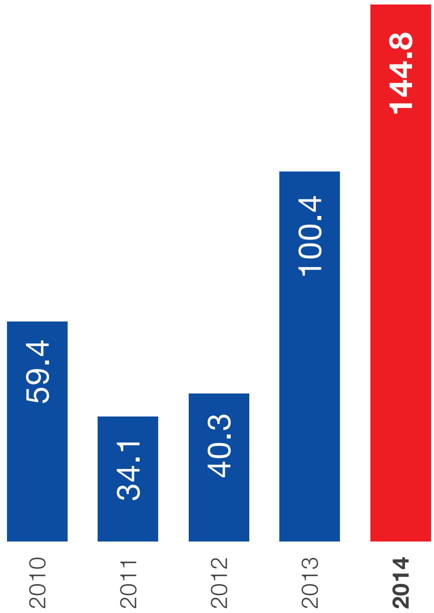
[i] Study: RBR forecasts accelerating growth in ATM market through 2018
http://www.atmmarketplace.com/news/study-rbr-forecasts-accelerating-growth-in-atm-market-through-2018

FINANCIAL HIGHLIGHTS

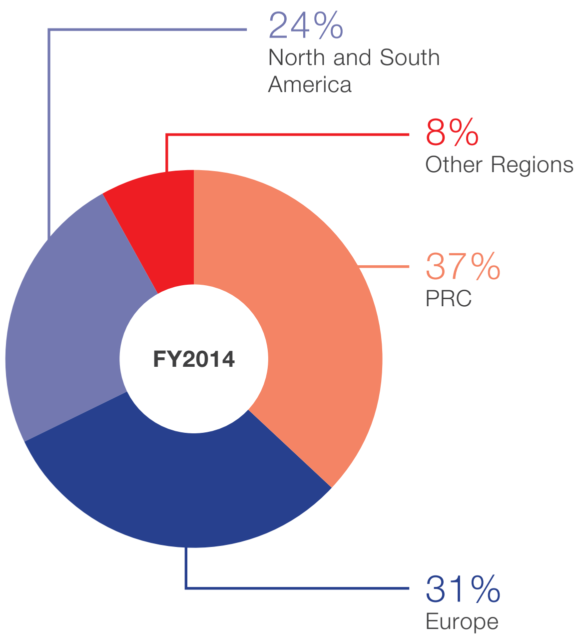
REVENUE
(RMB Million)



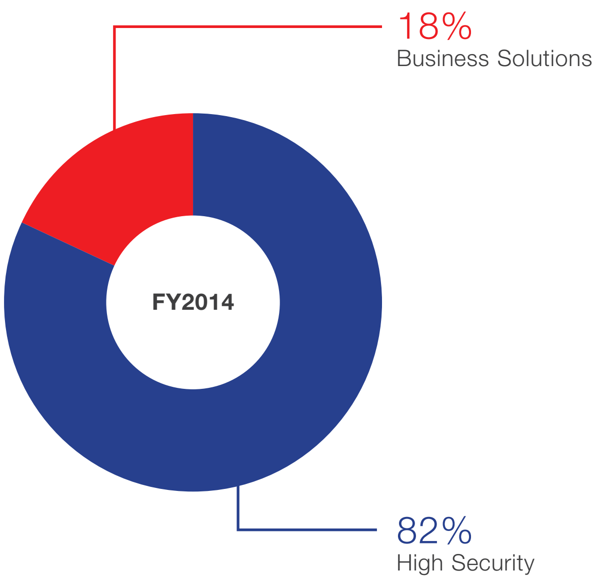
PROFIT ATTRIBUTABLE TO SHAREHOLDERS
(RMB Million)



REVENUE BY GEOGRAPHICAL REGION



REVENUE BY PRODUCT



DIRECTORS' PROFILE

DR. JOHNNY LIU JIAYAN

is the Chairman, CEO and Controlling Shareholder of Dutech, and is responsible for the business direction, strategies and development of our Group. Dr. Liu was appointed as a Director on 2 November 2006 and was last re-elected on 16 April 2012. Prior to founding our Group, Dr. Liu has had 11 years of managerial experience, having worked in Thermal Dynamics Corp. USA as Vice President of International Operations from 1993 to 2001, and as Chief Operation Officer of Asia for Murray Inc. from 2001 to 2003. Dr. Liu obtained his bachelor and master degree from Shanghai Jiaotong University in 1983 and 1986 respectively and subsequently obtained his doctorate from Auburn University, Alabama, USA in August 1993. From 1999 to 2001, he was a guest professor in Shanghai Jiaotong University, and a registered Professional Engineer with "the State Board of Registration for Professional Engineers and Land Surveyors" in the state of California, USA. He has over 20 publications and co-invented 6 patents. In 2008, he was honored as "Top Ten Young Chinese Enterprisers" by Foreign and Overseas Chinese Affairs Office. Dr. Liu also serves as President of Nantong Overseas Chinese Entrepreneurs Association (南通市侨商会会长) and Chairman of Hi-Tech Committee of National Association of Thousand Talents Program (国家千人计划).

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

MR. LIU BIN

is the Vice-Chairman of our Board of Directors. Mr. Liu was appointed as a Director on 26 March 2007 and was last re-elected on 16 April 2012. He is the Vice Chairman of Tri Star Inc. since 2005 and the contact person with the local regulatory and tax authorities in Nantong in relation to the regulatory compliance aspects of our business.

Prior to joining our Group, Mr. Liu was the General Manager of Tongya ReDianNengYuan Limited Company from 1997 to 2000, and was the General Manager of Nantong Wiedson from 2000 to 2002. Mr. Liu also sits on the board of directors of Nantong HI-WITS Electron Irradiation Technology Co., Ltd..

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

MR. TANG SEE CHIM

was appointed as an Independent Director on 21 May 2007 and was last re-appointed on 25 April 2014. He is the Chairman of the Audit Committee and member of the Nominating Committee and Remuneration Committee of the Company. Mr. Tang is an advocate and solicitor of the Supreme Court of Singapore and is presently the consultant to the law firm of Messrs David Lim & Partners LLP.

He holds a BSc (Econ) (Hons) degree from the London School of Economics (University of London), and is a Barrister-at-law of the Middle Temple (London). He has co-authored three books entitled Directors' Duties and Liabilities, Your Rights as a Consumer, and Contract Law.

He also sits on the board of directors of City Developments Limited, a public company listed on Singapore Exchange Securities Trading Limited ("SGX-ST"). His other appointments include director of Wang Bian Pte Ltd and honorary legal advisor to Ren Ci Community Hospital, Singapore Hospice Council and Nanyang Girls' High School. During the preceding 3 years, he was a board member of G K Goh Holdings Limited and New Toyo International Holdings Limited, companies listed on the SGX-ST.

Mr. Tang does not have any relationships including immediate family relationships with the Directors, the Company or its 10% shareholders as defined in the Code of Corporate Governance 2012.

MR. GRAHAM MACDONALD BELL

was appointed as an Independent Director with effect from 4 June 2007 and was last re-elected on 24 April 2013. Mr. Bell is the Chairman of the Nominating Committee and member of Audit Committee and Remuneration Committee of the Company. He is Chairman of Graham Bell & Associates Pte Ltd, a boutique consultancy and private equity company and a director of Graham Bell & Associates Limited. Mr. Bell is also a director of a marine claims and average adjustments consultancy company, and serves on the board of a media development agency based in Singapore.

Mr. Bell has more than 30 years of managerial experience and has managed public listed companies including Rothmans International Ltd. and its subsidiaries where he served as Chairman and Managing Director from 1993 to 2000. He previously served on the board of Singapore Government statutory board, Sentosa Development Corporation; the sports sub-committee of the Singapore Totalisator Board; and on the Executive Committee of the hospitality division of one of the largest property developers in Singapore.

Mr. Bell does not have any relationships including immediate family relationships with the Directors, the Company or its 10% shareholders as defined in the Code of Corporate Governance 2012.

MR. CHEN ZHAOHUI, GEORGE

was appointed as an Independent Director with effect from 4 June 2007 and was last re-elected on 24 April 2013. He is the Chairman of the Remuneration Committee and member of Audit Committee and Nominating Committee of the Company. Mr. Chen was a manufacturing engineer with Thermal Components Inc. from 1992 to 1995. Subsequently, he joined Genie Industries Inc., a company in the business of producing material lifts, portable aerial work platforms, scissor lifts and self-propelled telescopic and articulated booms, as Senior Manufacturing Engineer. He was the Chief Representative of Genie Industries Shanghai Representative Office from 1997 to December 2009. In January 2010, he joined Trimble Navigation Limited and Trimble Electronic Products (Shanghai) Co., Ltd., a leading provider of advanced positioning solutions that maximize productivity and enhance profitability, as General Manager for China.

Mr. Chen obtained his Bachelor in Mechanical Engineering degree from Shanghai University in 1988, and subsequently pursued a Master of Science degree in Manufacturing Systems Engineering from Auburn University. Whilst in Auburn University, he published an article on “FEM (Finite Element Method) Modeling in Metal Cutting” for Manufacturing Review, an American Society of Mechanical Engineers publication. Mr. Chen also holds a Master of Business Administration (MBA) degree from Auburn University. Mr. Chen is actively involved in the Association of Equipment Manufacturers (“AEM”), an international trade and business development resource for companies that manufacture equipment, products and services used worldwide in the construction, agricultural, mining, forestry, and utility fields. Mr. Chen was elected as the Vice Chairman of the AEM China Advisory Committee in 2004.

Mr. Chen does not have any relationships including immediate family relationships with the Directors, the Company or its 10% shareholders as defined in the Code of Corporate Governance 2012.

DR. HEDDA JULIANA IM BRAHM-DROEGE

was appointed as an Independent, Non-Executive Director with effect from 1 October 2014. Dr. im Brahm-Droege is a member of the Remuneration Committee. She holds a doctoral degree in economics from the University of Bonn, Germany.

Dr. im Brahm-Droege is the co-founder and the Deputy Chairperson of the supervisory board of Droege International Group AG. Droege International Group AG (see: www.droege-group.com) is an independent Advisory and Investment Company with a group turnover of approximately € 8.4 billion in 2014. Furthermore, Dr. im Brahm-Droege is the Chairperson of the Advisory Board of the Rheingold Art Collection and was the Chairperson of the Trustees of the University of Witten-Herdecke. She is a member of the Erich Gutenberg Association. In addition to that she holds various board positions in art related as well as charitable organizations.

Dr. im Brahm-Droege is the spouse of Mr. Walter P. J. Droege who is a former member of the Board of Directors and also an existing substantial shareholder of Dutech.

MR. CHRISTOPH HARTMANN

is nominated by Droege International Group AG, which is a substantial shareholder of Dutech as a Non-Executive Director. The appointment was effective from 1 December 2011 and he was re-designated as an Independent Director on 30 September 2014. He was re-elected as a Director on 25 April 2014. He is a member of the Audit Committee of the Company. He holds a degree in Business Economics and has been working for Droege International Group AG, Düsseldorf (Germany) since 2007 where he is responsible for the portfolio management of Droege International Group AG’s investments.

Mr. Hartmann is also the Vice Chairman of the Supervisory Board of Hoeft & Wessel AG, Hannover, a company listed in Germany.

From 1990 to 2006 Mr. Hartmann was an Executive Director of a major international bank based in Germany and was responsible for the portfolio and exit management of the industrial Equity Investments and Private Equity Funds Investments.

Mr. Hartmann does not have any relationships including immediate family relationships with the Directors, the Company or its 10% shareholders as defined in the Code of Corporate Governance 2012.

KEY MANAGEMENT

MR. WINSON CHEN WEN KUN

is our COO and is responsible for the Group's daily operations and production for both High Security and Business Solutions segments. Mr. Chen obtained his Masters in Engineering Machinery from Jilin University of Technology, China in 1991, and was awarded a Post-Experience Certificate in Engineering Business Management from University of Warwick in 1998. He has been an accredited engineer with Fujian Personnel Bureau since 1994.

Mr. Chen has vast experience in the field of engineering and technology. Prior to joining the Group, he was the Chief Engineer of Linde (Germany)-Xiamen Forklift Truck Co., Ltd. from 1995 to 1999. Subsequently, he joined Shanghai Ingersoll-Rand (USA) Air Compressor Co., Ltd. as Technical Director from 1999 to 2001, and was the Vice President of Murray (USA) Inc. China Operation from 2001 to 2003.

MR. WALTER CAO YONGGANG

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

MR. DAVID WEI YUN DE

is our CTO and is responsible for the technology, research, development, and engineering management of both the safes and semiconductor manufacturing facilities in Nantong. Mr. Wei obtained his Graduation Certificate from Hefei Technical University in 1977. He has been an accredited senior engineer with the Shanghai Aviation Department since 1992.

Prior to joining the Group in 2003, he worked at Shanghai Automobile Electrics Co. Ltd. from 1980 to 2000, starting as a technician and rising through the ranks to become Chief Engineer. In recognition of his contributions in the automobile industry, he was awarded with a Class III of New Design from the Shanghai Economic Council in 1990, for his automobile component design.

MS. JESSICA SHI YI

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

After graduating with a Bachelor of Science and Technology in 1997, Ms. Shi worked at the Bank of China as Management Trainee. She left to pursue a Masters in Business Administration from Fudan University in 2000. Subsequently, she joined Murray Inc.'s Shanghai Representative Office as Business Manager. She has been with the Group since 2003. She had attended Executive Educational Program from Wharton Business School, University of Pennsylvania in 2008.

MS. DONIA DONG JUNXIA

is our Financial Controller since December 2006 and assists CFO in the financial operations of the Group. Ms. Dong obtained her Bachelor of Economics with a major in audit from Beijing Economics University in 1990. She got postgraduate diploma in corporate finance and investment management from the University of Hong Kong in 2013. She has been a Certified Public Accountant with the Ministry of Finance of the People's Republic of China since 2001.

From 2003 to 2006, she worked in Mayway as Financial Controller. Prior to that, Ms. Dong was the Finance Director for Guangdong Huiyingtong Entertainment City from 1997 to 1999 and the Finance Manager for Shanghai Teck Hock SMEC Glassfibre Co. Ltd from 1999 to 2000. She was CFO for TSI from 2000 to 2002.

CORPORATE GOVERNANCE REPORT

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

The Company's corporate governance practices conform to and are compliant with the Code of Corporate Governance 2012 (the "Code"). This Report sets out the corporate governance processes of the Company and its subsidiaries (the "Group") with specific reference to the principles of the Code.

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

The Company is led by an effective board comprising a majority of non-executive Directors. Each Director brings to the Board his skills, experience and insights, which together with strategic networking relationships, serves to further the interests of the Company. At all times, the Directors are collectively and individually obliged to act in good faith and consider the best interests of the Company.

The Board of Directors (the "Board") oversees the affairs of the Company and is accountable to the shareholders for the management of the Group's business and its performance. The Board works with Management to achieve this and the Management remains accountable to the Board.

The main responsibilities of the Board include the following:

- provide entrepreneurial leadership and guidance and put in place an effective management team;
- approve broad policies, set strategies and objectives of the Group;
- reviewing and approving the financial performance of the Group including its quarterly and full year financial results announcements, annual audited accounts, proposals of dividends and the Directors' Report thereto;
- reviewing at least annually the adequacy and effectiveness of the Group's risk management and internal control system; and
- approve business plans and annual budgets, major funding including capital management proposals, major investment and disposal proposals.

The approval of the Board is required for matters as follows:

(i) Matters in relation to the overall strategy and management of the Group;

(ii) Material changes to the Group's management and control structure;

(iii) Matters involving financial reporting and dividends;

(iv) Major/strategic acquisitions and disposal of investments not in the ordinary course of business; and

(v) Matters which require Board approval as specified under the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual, Companies Act, Cap. 50 or other relevant laws and regulations.

CORPORATE GOVERNANCE REPORT

To assist the Board to effectively discharge its oversight duties and functions, the Board has delegated certain duties to various Board committees. These committees, namely the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC") functions within clearly defined terms of reference and operating procedures, which are reviewed by the Board on a regular basis. The Board also closely monitors the effectiveness of each committee.

The Board is scheduled to meet at least four times a year and where necessary, hold additional meetings to address significant issues that may arise. Important matters concerning the Group are also put to the Board for its decision by way of written resolutions. The Company's Articles of Association provides for meetings to be held via telephone conference.

The attendance of the Directors at Board and Board committees meetings held during financial year ended 31 December 2014 ("FY2014") are set out below:

Type of Meetings	Board	Audit Committee	Nominating Committee	Remuneration Committee
Total No. Held	4	4	1	1
Attendance				
Dr Johnny Liu Jiayan, Executive Chairman & CEO	4	N.A.	N.A.	N.A.
Mr Liu Bin, Executive Vice-Chairman	3	N.A.	N.A.	N.A.
Mr Tang See Chim, Independent Director	4	4	1	1
Mr Graham Macdonald Bell, Independent Director	4	4	1	1
Mr Chen Zhaohui, George, Independent Director	3	3	1	1
Mr Walter P.J. Droege, Independent Director[1]	1	N.A.	N.A.	0
Mr Christoph Hartmann, Independent Director	4	4	N.A.	N.A.
Dr Hedda Juliana im Brahm-Droege, Independent Director[2]	1	N.A.	N.A.	N.A.

1 Resigned as an Independent Director on 1 October 2014
2 Appointed as an Independent Director on 1 October 2014
N.A.: Not Applicable

New directors will be briefed on the business activities, strategic directions, policies and corporate governance practices of the Group. Directors are provided with briefings and updates from time to time by professional advisers, auditor and management on relevant practices, new laws, rules and regulations, directors' duties and responsibilities, corporate governance, changes in accounting standards and risk management issues applicable or relevant to the performance of their duties and responsibilities as Directors.

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

During FY2014, Directors were briefed by the external auditor on the developments in financial reporting and governance standards. News releases issued by the SGX-ST which are relevant to the Directors are also circulated to the Board for information.

CORPORATE GOVERNANCE REPORT

Principle 2: Board Composition and Balance

The Board presently comprises seven directors, two of whom are executive directors and the remaining five are independent.

As a group, the Directors bring with them a broad range of industry knowledge, expertise and experience in areas such as legal, accounting, finance and management. The diversity of the Directors' experience allows for the useful exchange of ideas and views as well as provide for effective decision-making. Key information regarding the Directors, including directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments are set out in pages 6 to 7 of this Annual Report.

The NC reviews the size and composition of the Board and the Board Committees annually. The NC considers the present board size and composition appropriate taking into account the business and scale of operations. It is of the view that the Board and Board Committees, comprises directors who have the relevant skills and knowledge, expertise and experiences as a group for discharging the Board's duties. The NC has reviewed the declaration of independence provided by each of the non-executive Director for FY2014 in accordance with the Code's guidelines and determined that Mr Tang See Chim, Mr Graham Bell, Mr Chen Zhaohui, George, Mr Christoph Hartmann and Dr Hedda Juliana im Brahm-Droege be considered independent and noted that more than half of the Board comprises Non-Executive Independent Directors. None of the Board members have served the Company for a period exceeding nine years.

The Board and management engage in open and constructive debate for the furtherance and achieving strategic objectives. All Board members are provided with relevant and sufficient information on a timely basis and non-executive directors may challenge Management's assumptions and also extend guidance to management, in the best interest of the Group.

Principle 3: Chairman and Chief Executive Officer

Dr Johnny Liu Jiayan, a controlling shareholder of the Company, assumes the roles of Executive Chairman and Chief Executive Officer ("CEO") of the Company. He plays a vital role in developing and expanding the business of the Group and has provided strong leadership and vision to the Group. Given the size of the Group's current business operations and nature of its activities, the Board is of the view that it is not necessary to separate the roles of the Chairman and CEO. The Board is of the view that there are sufficient safeguards and checks in place to ensure that management is accountable to the Board as a whole. The three Board Committees, all of whom comprised of Independent Directors, are all chaired by Independent Directors. Further, in accordance with the recommendations of the Code, Mr. Tang See Chim has been appointed as the Lead Independent Director. The Lead Independent Director will be available to shareholders where they have concerns which contact through normal channels of the Chairman or Chief Financial Officer ("CFO") have failed to resolve or for which such contact is inappropriate.

In view of the above, the Directors are of the view that there are sufficient safeguards and checks in place to ensure that the process of decision making by the Board is independent and is based on collective decision making without Dr Liu being able to exercise considerable concentration of power or influence.

In consultation with the Directors, the Executive Chairman approves meeting schedules of the Board, agendas for Board meetings and is advised of meeting of Board Committees.

The independent directors hold informal meeting session on a need basis without the presence of Management and other directors.

CORPORATE GOVERNANCE REPORT

Principle 4: Board Membership

The NC comprises three Independent Directors:

Graham Macdonald Bell	(Chairman)
Tang See Chim	(Member)
Chen Zhaohui, George	(Member)

The NC was established for the purpose of ensuring that there is a formal and transparent process for all board appointments.

The principal duties of the NC include the following:

a. Identifying candidates and making recommendations for all Board appointments and re-nomination or continuation in office of any Director;

b. to make recommendations to the Board on all board, CEO and CFO appointments and re-nomination of board members having regard to the Director's contribution and performance;

c to determine annually the independence of Directors, bearing in mind the relationships which would deem a Director not to be independent; and

d. to evaluate the performance of the Board and the contributions from the Directors on a year-to-year basis.

The search and nomination process for new directors will be through search companies, contacts and recommendations that go through the normal selection process, to cast its net as wide as possible for the right candidates. New directors are appointed after the NC has reviewed and nominated them for appointment. Such new directors submit themselves for re-election at the next AGM of the Company held following their appointment.

The NC will seek to refresh the Board membership progressively and in an orderly manner, to avoid losing institutional memory. The NC reviews the succession and development plans for key management personnel.

At each Annual General Meeting ("AGM"), at least one-third of the directors are subject to retirement by rotation. Directors who have attained the age of 70 and above are subject to annual retirement and re-appointment in accordance with Section 153(6) of the Companies Act, Cap. 50.

The NC has reviewed and recommended for the re-election of the following Directors of the Company at the forthcoming AGM:

(i) Dr Johnny Liu Jiayan, Executive Chairman and CEO retiring pursuant to Article 107;

(ii) Mr Liu Bin, Executive Vice Chairman retiring pursuant to Article 107; and

(iii) Dr Hedda Juliana im Brahm-Droege, Independent Director retiring pursuant to Article 117.

The NC has also reviewed and recommended the re-appointment of Mr Tang See Chim as a Director of the Company in accordance with Section 153(6) of the Companies Act, Cap. 50 at the forthcoming AGM. The Board has accepted the NC's abovementioned recommendations and the four retiring Directors have offered themselves for re-election.

CORPORATE GOVERNANCE REPORT

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

Name of director	Appointment	Date of initial appointment	Date of last re-election
Dr Johnny Liu Jiayan	Executive Chairman and CEO	2 November 2006	16 April 2012
Mr Liu Bin	Executive Vice-Chairman	26 March 2007	16 April 2012
Mr Tang See Chim	Independent Director	21 May 2007	25 April 2014
Mr Graham Macdonald Bell	Independent Director	4 June 2007	24 April 2013
Mr Chen Zhaohui, George	Independent Director	4 June 2007	24 April 2013
Mr Christoph Hartmann	Independent Director	1 December 2011	25 April 2014
Dr Hedda Juliana im Brahm-Droege	Independent Director	1 October 2014	N.A.

Based on the attendance of the Directors and their contributions at meetings of the Board and Board Committees and their time commitment to the affairs of the Company, the NC believes that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately. The Board is of the view that setting a maximum number of listed company board representations would not be meaningful as the contributions of the Directors would depend on many factors such as whether they were in full time employment and their other responsibilities. The NC will assess each Director relative to his abilities and known commitments and responsibilities. There is no alternate director on the Board.

Principle 5: Board Performance

The NC assesses the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board on an annual basis.

In its assessment of the Board effectiveness, the NC takes into consideration the frequency of the Board meetings, the rate at which issues raised are adequately dealt with and the reports from the various Board Committees.

The NC has conducted an evaluation of the board performance as a whole in respect of FY2014, participated by all Directors. This process involves the completion of a questionnaire by Board members seeking their views on various aspects of board performance such as board size and composition, board information and accountability, board processes, effectiveness of risk management and internal controls system. A summary of the findings is prepared based on the completed questionnaire and is reviewed and deliberated by the NC and Board members. The Chairman of the NC confers with the Chairman of the Board on the findings and appropriate follow-up actions are taken as necessary.

The Board is satisfied that all directors have discharged their duties adequately for FY2014 and expects that the directors will continue to discharge their duties adequately in FY2015.

Principle 6: Access to Information

The Board members are provided with adequate and timely information prior to Board meetings and on an on-going basis. Draft agendas for Board and Board Committee meetings are circulated to the executive directors and Board Committee chairman respectively, in advance, in order for them to suggest items to be included in the agenda and/or review the usefulness of the items in the proposed agenda.

The Board has separate and independence access to the Group's senior management and the advice and services of the Company Secretary. Requests for information from the Board are dealt with promptly. The Board is informed of all material events and transactions as and when they occur. The Board can request for key management personnel attendance at Board or Board Committees meetings to provide additional insight on matters being discussed and to respond to any queries from Directors as and when deemed necessary.

CORPORATE GOVERNANCE REPORT

Under the Articles of Association of the Company, the decision to appoint or remove the Company Secretary can only be taken by the Board as a whole. The Company Secretary attends all Board meetings and ensures that Board procedures and applicable rules and regulations are complied with.

The Board may also take independent professional advice as and when necessary to enable it to discharge its responsibilities effectively, such cost will be borne by the Company.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

The RC comprises of four Independent Directors:

Chen Zhaohui, George	(Chairman)
Tang See Chim	(Member)
Graham Macdonald Bell	(Member)
Dr Hedda Juliana im Brahm-Droege	(Member)

The principal duties of the RC include the following:

a. to review and recommend to the Board a framework of remuneration for the Board and key management personnel of the Group;

b. to determine the specific remuneration packages for the Executive Directors; and

c. to administer the Dutech Group Performance Share Plan.

The remuneration policy for key executives is based largely on the Group's performance and the responsibilities and performance of each individual key management personnel. In setting remuneration packages, the RC takes into consideration the pay and employment conditions within the industry and local practices. The RC recommends the remuneration packages of key management personnel for Board's approval.

The two Executive Directors have each entered into separate service agreements with the Company. The service agreements cover the terms of employment, salaries and other benefits.

The RC reviews the terms of compensation and employment for executive directors and key management personnel at the time of their respective employment or renewal (where applicable) including considering the Company's obligations in the event of termination of services to ensure such contracts of service contain fair and reasonable termination clauses which are not overly generous.

Independent Directors do not have service agreements. They receive Directors' fees, in accordance with their level of contribution taking into account factors such as effort and time spent for serving on the Board and Board Committees as well as the responsibilities of the Directors and the need to pay competitive fees to attract, retain and motivate the Directors. These fees are subject to shareholders' approval at the AGM.

No director is involved in deciding his own remuneration, except in providing information and documents if specifically requested by the RC to assist in its deliberations.

CORPORATE GOVERNANCE REPORT

The Dutech Group Performance Share Plan (the "Share Plan") was approved during the Company's initial public offering. Through the Share Plan, the Company seeks to foster a greater ownership culture within the Group by aligning the interests of the Group executives and associated company executives with the interests of shareholders. The aggregate number of shares to be issued pursuant to the Share Plan shall not exceed 15% of the total issued shares of the Company. To-date, the Company has not implemented the Share Plan.

Principle 9: Disclosure of Remuneration

Information on the remuneration of Directors of the Company for FY2014 is as follows:

Name of Directors	Remuneration S$	Salary %	Bonus %	Fees %	Other Benefits %	Total %
Johnny Liu Jiayan	200,000	60	40	–	–	100
Liu Bin	96,733	64	36	–	–	100
Tang See Chim	66,000	–	–	100	–	100
Graham Macdonald Bell	66,000	–	–	100	–	100
Chen Zhaohui, George	66,000	–	–	100	–	100
Walter P.J. Droege[1]	49,500	–	–	100	–	100
Christoph Hartmann	16,500	–	–	100	–	100
Dr Hedda Juliana im Brahm-Droege[2]	16,500	–	–	100	–	100

1 Resigned as an Independent Director on 1 October 2014
2 Appointed as an Independent Director on 1 October 2014

Information on the remuneration band of the key management personnel of the Company for FY2014 is as follows:–

Remuneration Band & Name of Key Management Personnel	Salary %	Bonus %	Fees %	Other Benefits %
Below S$250,000				
Winson Chen Wen Kun	100	–	–	–
Walter Cao Yonggang	63	37	–	–
David Wei Yun De	100	–	–	–
Jessica Shi Yi	100	–	–	–
Donia Dong Junxia	100	–	–	–

Information on key management personnel is set out in the "Key Management" section of the annual report.

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

CORPORATE GOVERNANCE REPORT

For FY2014, there were no termination, retirement and post-employment benefits granted to Directors, the CEO and key management personnel other than the payment in lieu of notice in the event of termination in their respective employment contracts.

There are no employees within the Group who are immediate family members of a Director or the CEO whose remuneration exceeds S$50,000 during the financial year.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board accounts to the shareholders through providing timely information relating to the financial and operations of the Group as well as any issues faced by the Group regularly and as and when required through announcement releases to the SGX-ST.

The Management provides the Board with management accounts and such explanation and information on a regular basis and as the Board may require from time to time, to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

Principle 11: Risk Management and Internal Controls

The Management and the Board regularly assess and review the Group's business and operational environment in order to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks.

The Board has received assurance from the CEO and CFO:

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

(b) that the company's risk management and internal control systems are adequate and effective.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, various Board Committees and the Board, the Board (with concurrence of the Audit Committee) are of the opinion that the Group's risk management and internal control systems addressing financial, operational, compliance and information technology controls, were adequate and effective as at 31 December 2014.

The Board notes that system of internal controls and risk management established by the Company provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Principle 12: Audit Committee

The AC comprises of four Independent Directors:

Tang See Chim	(Chairman)
Graham Macdonald Bell	(Member)
Chen Zhaohui, George	(Member)
Christoph Hartmann	(Member)

CORPORATE GOVERNANCE REPORT

The duties of the AC include the following:

- to review with the external auditors the audit plan and the results of the external auditors' examination and evaluation of the system of internal controls;
- to review with the internal auditors their audit plan, the adequacy of the internal audit procedures and their evaluation of the effectiveness of the overall internal control systems, including financial, operational and compliance controls and risk management;
- to review the quarterly and full year results announcements of the Company prior to submission to the Board so as to ensure the integrity of the financial results announcements to be released via SGXNet;
- to review the consolidated financial statements of the Group and the external auditors' report on those financial statements before the submission to the Board of Directors for approval;
- to review the co-operation given by the management to the auditors;
- to consider the appointment and re-appointment of external auditors;
- to review and approve interested person transactions;
- to undertake such other reviews and project as may be requested by the Board, and to report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- to generally undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, and by such amendments made thereto from time to time.

The primary responsibility of the AC is to provide support and assistance to the Board in ensuring that a high standard of corporate governance is maintained at all times. The AC has full access to all management personnel and has full discretion to invite any Director and/or key management personnel to attend its meetings.

The AC has reviewed the overall scope of the external and internal audit and the assistance given by the Company's officers to the auditors. It met with the Company's auditors to discuss the results of their examination and evaluation of the Company's system of internal accounting controls. The AC meets with the external and internal auditors, without the presence of management, at least once a year.

The AC has also put in place procedures to provide employees of the Group with well defined and accessible channels to report on suspected fraud, corruption, dishonest practices or other similar matters relating to the Group, and for the independent investigation of any reports by employees and appropriate follow up action. Details of the whistle blowing policy have been made available to all employees. The aim of the whistle blowing policy is to encourage the reporting of such matters in good faith, with the confidence that persons making such reports will be treated fairly, and to the extent possible, be protected from reprisal. The employees and any concerned parties who have a business relationship with the Company and who are aware of any possible improprieties may raise any concern directly with the AC Chairman.

The AC has conducted an annual review of the non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the auditors. Details of the aggregate amount of fees paid to the external auditor for FY2014 and a breakdown of the fees paid in total for audit and non-audit services respectively, can be found on page 75.

CORPORATE GOVERNANCE REPORT

During the financial year, the AC reviewed the quarterly financial statements prior to approving or recommending their release to the Board; the external audit plan and the results of the external audit performed; the internal audit plan and report of the Group; non-audit services rendered by the external auditor as well as the independence and objectivity of the external auditor. Management's assessment of fraud risks, adequacy of the whistle blower arrangements and complaints, if any, are also reviewed by the AC.

Principle 13: Internal Audit

The AC approves the hiring, removal and evaluation of the professional service firm to which the internal audit function was outsourced.

The Group has outsourced the internal audit function to Messrs Grant Thornton Advisory Services Pte Ltd ("Grant Thornton") in Singapore and to Fritz und Mark in Germany.

During FY2014, Grant Thornton had undertaken a review on the principal subsidiaries of the Group in China, namely Tri Star Inc. and Tri Star Technology Co., Ltd. and Fritz und Mark had undertaken a review on the subsidiary in Germany, namely Format Tresorbau GmbH & Co. KG.

The internal auditors report directly to the AC and make recommendations on their findings.

The Group's external auditors also contribute an independent perspective on the internal control systems over financial reporting and annually report their findings to the AC.

The AC annually reviews the adequacy of the internal audit function to ensure that the internal audits are performed effectively. The AC is satisfied that the internal auditors are staffed by qualified and experienced personnel.

Principle 14: Shareholders' rights

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholder meetings

The Board strives to ensure that all material information is disclosed to the shareholders in an adequate and timely basis. The Board informs and communicates with shareholders through annual reports, announcement releases through SGX-ST, advertisement of notice of general meetings and at general meetings of the Company.

Shareholders are encouraged to attend the AGM of the Company to ensure a greater level of shareholder participation and for them to be kept up to date as to the strategies and goals of the Group. At AGM of the Company, shareholders will be given opportunity to air their views and ask questions regarding the Company and the Group.

To facilitate participation by the shareholders, the Company's Articles of Association allow a shareholder to appoint not more than two proxies to attend and vote at general meetings. Currently, the Company's Articles of Association do not allow a shareholder to vote in absentia.

Shareholders who hold shares through nominees such as CPF and custodian banks may vote through their nominee or custodian banks. Such shareholders may also, upon presentation of official letters issued by their nominees attend the general meeting as observers.

Chairperson of the AC, NC and RC, or members of the respective Board Committees standing in for them, as well as the external auditors will be present and available to address questions at general meetings of the Company.

CORPORATE GOVERNANCE REPORT

The Company has yet to implement poll voting in all its general meetings in view of the higher costs involve in polling. The Board is of the view that shareholders are better served by having the Company's resources devoted on value-added activities. The Company will implement poll voting in its general meetings to be held after 1 August 2015.

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 FY2014 in June 2014. The Board, having further reviewed the cashflow position of the Group, did not recommend any payment of final dividend for FY2014.

INTERESTED PERSON TRANSACTIONS

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

The aggregate value of interested person transactions entered into during the year which fall under Chapter 9 of the Listing Manual of the SGX-ST are as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Nantong Mayway Products Corp.	*Rental for land and buildings: RMB3.7 million*	*NIL*
Nantong Wiedson Hi-Wits Precision Works Co. Ltd.	*Purchase of raw material: RMB1.0 million*	*NIL*
Tri Star Shanghai Electronics Co., Ltd.	*Repayment of advance: RMB3.6 million*	*NIL*

DEALINGS IN SECURITIES

The Company has adopted an internal code with regard to dealings in securities to provide guidance for its Directors and employees.

The Company's Code provides that Directors and employees of the Group are prohibited from dealing in securities of the Company when they are in possession of any unpublished material price-sensitive information of the Group. The Company's code also prohibits the Directors and employees from trading in the Company's securities during the period commencing one month and two weeks before the date of announcement of the Company's full year or quarterly results respectively and ending on the date of announcement of the relevant results.

Directors and employees are also required to observe insider trading laws at all times even when dealing in securities within the permitted trading period. In addition, the Directors and employees are expected not to deal in the Company's securities for short-term considerations.

MATERIAL CONTRACTS

There were no material contracts of the Company or its subsidiaries (not being contracts entered into in the ordinary course of business) involving the interests of the chief executive officer, each director or controlling shareholders, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

The directors present their report to the members together with the audited financial statements of Dutech Holdings Limited (the "Company") and subsidiaries (the "Group") for the financial year ended 31 December 2014 and the balance sheet of the Company as at 31 December 2014.

Directors

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

Dr Johnny Liu Jiayan
Liu Bin
Tang See Chim
Graham Macdonald Bell
George Chen Zhaohui
Christoph Hartmann
Dr Hedda Juliana im Brahm-Dreoge (Appointed on 1 October 2014)

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' 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 2014 or date of appointment	At 31 December 2014	At 1 January 2014 or date of appointment	At 31 December 2014
Company				
Ordinary shares				
Dr Johnny Liu Jiayan	650,000	650,000	152,438,956	152,438,956
Liu Bin	–	–	56,282,864	56,282,864
Graham Macdonald Bell	–	–	17,000	17,000

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

The directors' interests in the ordinary shares of the Company and its related corporation as at 21 January 2015 were the same as those as at 31 December 2014.

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest except for transactions disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Share options

During the financial year, no options to take up unissued shares of the Company or any subsidiaries were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company or any subsidiaries. There were no unissued shares of the Company or any subsidiaries under option at the end of the financial year.

Audit committee

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

Tang See Chim	(Chairman)
Graham Macdonald Bell	(Independent Director)
George Chen Zhaohui	(Independent Director)
Christoph Hartmann	(Independent Director)

The Audit Committee carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Cap. 50, the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code of Corporate Governance.

In performing those functions, the Audit Committee reviewed:

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

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

– the assistance given by the Company's management to the independent auditors;

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

– the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2014 prior to their submission to the Board of Directors, as well as the independent auditors' report on the balance sheet 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 Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and discretion to invite any director or executive officer to attend its meetings.

The Audit Committee convened 4 meetings during the year and has also met with internal and independent auditors, without the presence of the Company's management, at least once a year.

The Audit Committee has recommended to the Board of Directors that the independent auditors, Crowe Horwath First Trust LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

The Audit Committee has conducted an annual review of non-audit services provided by the auditors to satisfy itself that the nature and extent of such services will not offset the independence and objectivity of the external auditors before confirming their re-nomination.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

In appointing the external auditors for the Company and subsidiaries, we have complied with Rules 712, 715 and 716 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

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

Independent auditors

The independent auditors, Crowe Horwath First Trust LLP, have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors

DR JOHNNY LIU JIAYAN
Director

LIU BIN
Director

31 March 2015

STATEMENT BY DIRECTORS

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 25 to 94 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the results, changes in equity and cash flows of the Group for the financial year then ended; and

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

On behalf of the Board of Directors

DR JOHNNY LIU JIAYAN
Director

LIU BIN
Director

31 March 2015

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DUTECH HOLDINGS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Dutech Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 25 to 94, which comprise the consolidated balance sheet and the balance sheet of the Company as at 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

31 March 2015

BALANCE SHEETS

AS AT 31 DECEMBER 2014

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

	Note	Group		Company	
		2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	3	168,067	168,067	168,067	168,067
Capital reserve	4	33,056	33,056	–	–
Statutory reserve	5	44,975	38,740	–	–
Merger deficit	6	(13,029)	(13,029)	–	–
Revenue reserve/(Accumulated losses)	7	390,957	237,504	25,442	(43,027)
Translation deficit	8	(19,139)	(1,611)	(11,712)	(4,342)
TOTAL EQUITY		604,887	462,727	181,797	120,698
ASSETS					
Non-current assets					
Property, plant and equipment	9	236,417	129,125	–	–
Land use rights	10	61,068	43,218	–	–
Subsidiaries	11	–	–	28,925	30,039
Associates	12	6,616	–	–	–
Intangible assets	13	15,498	20,782	–	–
		319,599	193,125	28,925	30,039
Current assets					
Inventories	14	153,653	117,993	–	–
Trade receivables	15	164,728	148,160	2,413	1,985
Other receivables, deposits and prepayments	16	5,150	8,324	–	58
Advances to suppliers	17	16,236	6,621	–	96
Due from subsidiaries (non-trade)	18	–	–	151,962	112,269
Derivative financial instruments	19	–	13,322	–	–
Available-for-sale financial assets	20	100,000	–	–	–
Cash and bank balances	21	77,813	168,762	7,413	3,959
		517,580	463,182	161,788	118,367
TOTAL ASSETS		837,179	656,307	190,713	148,406
LIABILITIES					
Current liabilities					
Trade payables		82,969	99,139	2,883	4,536
Other payables and accruals	22	71,720	57,940	2,157	23,172
Borrowings	23	35,449	12,469	–	–
Due to a related party (trade)	18	442	722	–	–
Due to a related party (non-trade)	18	–	3,600	–	–
Income tax payable		10,014	5,574	–	–
Derivative financial instruments	19	4,635	–	1,050	–
		205,229	179,444	6,090	27,708
Non-current liabilities					
Deferred tax liabilities	24	4,934	3,576	–	–
Other payables	22	5,285	–	2,826	–
Deferred income	25	9,418	10,560	–	–
Borrowings	23	7,426	–	–	–
		27,063	14,136	2,826	–
TOTAL LIABILITIES		232,292	193,580	8,916	27,708
NET ASSETS		604,887	462,727	181,797	120,698

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"))

	Note	2014 RMB'000	2013 RMB'000
Revenue	26	1,050,913	1,027,584
Cost of sales		(794,269)	(783,991)
Gross profit		256,644	243,593
Other income	27	98,494	37,257
Selling and distribution expenses		(57,578)	(61,322)
Administrative expenses		(113,853)	(92,003)
Finance income		3,990	2,140
Finance expense		(2,387)	(2,930)
Finance income/(expenses), net	29	1,603	(790)
Other expenses	30	(23,105)	(8,680)
Share of profits of associates	12	631	–
Profit before tax	31	162,836	118,055
Income tax	32	(18,008)	(17,698)
Profit for the year		144,828	100,357
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation		(17,528)	1,551
Total comprehensive income for the year		127,300	101,908
Profit attributable to:			
Equity holders of the Company		144,828	100,357
Total comprehensive income attributable to:			
Equity holders of the Company		127,300	101,908
Earnings per share (cents)			
– Basic and diluted	33	40.62	28.15

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"))

2013 Group	**Share capital RMB'000**	**Capital reserve RMB'000**	**Statutory reserve RMB'000**	**Merger deficit RMB'000**	**Revenue reserve RMB'000**	**Translation reserve/ (deficit) RMB'000**	**Total equity RMB'000**
	Attributable to equity holders of the Company						
Balance as at 1 January 2013	168,067	33,056	29,523	(13,029)	146,364	(3,162)	360,819
Profit for the year	–	–	–	–	100,357	–	100,357
Other comprehensive income, net of tax	–	–	–	–	–	1,551	1,551
Total comprehensive income for the year	–	–	–	–	100,357	1,551	101,908
Contributions by and distributions to owners							
Transfer to statutory reserve (Note 5)	–	–	9,217	–	(9,217)	–	–
Total transactions with owners in their capacity as owners	–	–	9,217	–	(9,217)	–	–
Balance as at 31 December 2013	168,067	33,056	38,740	(13,029)	237,504	(1,611)	462,727

2014 Group	**Share capital RMB'000**	**Capital reserve RMB'000**	**Statutory reserve RMB'000**	**Merger deficit RMB'000**	**Revenue reserve RMB'000**	**Translation deficit RMB'000**	**Total RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
	Attributable to equity holders of the Company								
Balance as at 1 January 2014	**168,067**	**33,056**	**38,740**	**(13,029)**	**237,504**	**(1,611)**	**462,727**	**–**	**462,727**
Profit for the year	**–**	**–**	**–**	**–**	**144,828**	**–**	**144,828**	**–**	**144,828**
Other comprehensive income, net of tax	**–**	**–**	**–**	**–**	**–**	**(17,528)**	**(17,528)**	**–**	**(17,528)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**144,828**	**(17,528)**	**127,300**	**–**	**127,300**
Contributions by and distributions to owners									
Transfer to statutory reserve (Note 5)	**–**	**–**	**6,235**	**–**	**(6,235)**	**–**	**–**	**–**	**–**
Dividend on ordinary shares (Notes 34)	**–**	**–**	**–**	**–**	**(17,736)**	**–**	**(17,736)**	**–**	**(17,736)**
	–	**–**	**6,235**	**–**	**(23,971)**	**–**	**(17,736)**	**–**	**(17,736)**
Changes in ownership interests in subsidiaries									
Acquisition of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**42,792**	**42,792**
Acquisition of non-controlling interests without changes in control (Note 11b)	**–**	**–**	**–**	**–**	**32,596**	**–**	**32,596**	**(42,792)**	**(10,196)**
Total changes in ownership interests in subsidiaries	**–**	**–**	**–**	**–**	**32,596**	**–**	**32,596**	**–**	**32,596**
Total transaction with owners	**–**	**–**	**6,235**	**–**	**8,625**	**–**	**14,860**	**–**	**14,860**
Balance as at 31 December 2014	**168,067**	**33,056**	**44,975**	**(13,029)**	**390,357**	**(19,139)**	**604,887**	**–**	**604,887**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

	Note	2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Profit before tax		162,836	118,055
Adjustments:			
Amortisation of land use rights	10	1,010	924
Amortisation of intangible assets	13	5,284	4,850
Amortisation of deferred government grants	25	(1,142)	(960)
Depreciation of property, plant and equipment	9	16,160	13,084
Fair value changes on contingent consideration	22	(19,317)	(2,999)
Fair value gain on derivative financial instruments		18,072	(9,496)
Loss on disposal of property, plant and equipment		346	187
Settlement of forward contracts, net		(8,425)	(14,456)
Interest expenses		1,660	348
Interest income		(3,990)	(2,140)
Unwinding of discount on contingent consideration		727	2,582
Share of profits of associates	12	(631)	–
Gain on bargain purchase arising from the acquisition of a subsidiary	11	(55,924)	–
Operating profit before working capital changes		116,666	109,979
Inventories		20,992	(20,979)
Trade receivables		(9,142)	(37,450)
Other receivables, deposits and prepayments		5,401	(1,835)
Advances to suppliers		(5,950)	9,897
Trade payables		(19,298)	22,767
Other payables and accruals		8,972	7,455
Due to a related party (trade)		(280)	91
Cash generated from operations		117,361	89,925
Income tax paid		(14,571)	(13,950)
Net cash from operating activities		102,790	75,975
Cash flows from investing activities			
Development costs incurred		–	(3,554)
Interest received		3,990	1,540
Proceeds from disposal of property, plant and equipment		62	31
Purchase of property, plant and equipment (Note A)		(53,019)	(24,190)
Purchase of land use right	10	(18,860)	–
Receipt from settlement of forward contracts		8,636	15,169
Payment for settlement of forward contracts		(211)	(713)
Net cash inflow on acquisition of a subsidiary	11	10,289	–
Purchase of available-for-sale financial assets	20	(100,000)	–
Net cash used in investing activities		(149,113)	(11,717)
Cash flows from financing activities			
Acquisition of non controlling interests without a change in control	11	(7,737)	–
Dividends paid	34	(17,736)	–
Interest paid		(1,660)	(827)
Repayment of finance leases		(2,570)	–
Proceeds from borrowings		5,398	1,475
(Repayment to)/Advances from a related party (non-trade)		(3,600)	3,600
Withdrawal/(Placement) of pledged deposits		2,473	(2,422)
Repayment of loans		(14,176)	–
Net cash (used in)/from financing activities		(39,608)	1,826
Net (decrease)/increase in cash and cash equivalents		(85,931)	66,084
Effect of exchange rate changes in cash and cash equivalents		(2,545)	(595)
Cash and cash equivalents at beginning of year		149,202	83,713
Cash and cash equivalents at end of year	21	60,726	149,202

Note A

	2014 RMB'000	2013 RMB'000
Total additions to property, plant and equipment (Note 9)	53,019	23,443
Add: amounts prepaid included in prepayments	–	747
Purchase of plant, property and equipment per consolidated statement of cash flows	53,019	24,190

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

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

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding and general wholesale of high security products. The principal activities of its subsidiaries are disclosed in Note 11.

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 31 March 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 and the Singapore Financial Reporting Standards ("FRS"). The financial statements are presented in Chinese Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) as indicated.

The preparation of the financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement or complexity, are disclosed in this Note.

Adoption of new and revised standards

On 1 January 2014, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendment to FRS 19 – Defined Benefit Plans: Employee Contributions	1 July 2014
Improvements to FRSs (January 2014)	
– Amendment to FRS 102 – *Share-based Payment*	1 July 2014*
– Amendment to FRS 103 – *Business Combination*	1 July 2014^
– Amendment to FRS 108 – *Operating Segments*	1 July 2014
– Amendment to FRS 16 – *Property, Plant and Equipment*	1 July 2014
– Amendment to FRS 24 – *Related Party Disclosures*	1 July 2014
– Amendment to FRS 38 – *Intangible Assets*	1 July 2014
Improvements to FRSs (February 2014)	
– Amendment to FRS 103 – *Business Combinations*	1 July 2014
– Amendment to FRS 113 – *Fair Value Measurement*	1 July 2014
– Amendment to FRS 40 – *Investment Property*	1 July 2014
FRS 114 *Regulatory Deferral Account*	1 January 2016
Amendments to FRS 27: *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 16 and FRS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 16 and FRS 41: Agriculture: *Bearer Plants*	1 January 2016
Amendments to FRS 111: *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Improvements to FRSs (November 2014)	
– Amendment to FRS 105 – Non-current Assets Held for Sale and Discontinued Operations	1 January 2016
– Amendment to FRS 107 – Financial Instruments: Disclosures	1 January 2016
– Amendment to FRS 19 – Employee Benefits	1 January 2016
– Amendment to FRS 34 – Interim Financial Reporting	1 January 2016
Disclosure Initiative – Amendments to FRS 1	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28: Investment Entities: Applying the Consolidation Exception	1 January 2016
FRS 115 Revenue from Contracts with Customers	1 January 2017
FRS 109 Financial Instruments	1 January 2018

* *The amendment applies prospectively to share-based payment transactions with a grant date on or after 1 July 2014*

^ *The amendment applies prospectively to business combination for which the acquisition date is on or after 1 July 2014*

Except for Amendments to FRS 103, Amendments to FRS 108, Amendment to FRS 24, Amendment to FRS 110, and FRS 28, Amendments to FRS 27, Amendments to FRS 1, FRS 115, and FRS 109, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of those impending changes accounting policy on adoption of the above mentioned standards are described below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

Improvements to FRSs (January 2014): Amendment to FRS 103 – Business Combination

The amendment clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of FRS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss.

The Group will apply these amendments to the future business combination from 1 July 2014 onwards.

Improvements to FRSs (January 2014): Amendment to FRS 108 – Operating Segments

The amendment require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'. The amendment also clarifies that a reconciliation of the total segment assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in next financial year.

Improvements to FRSs (January 2014): Amendment to FRS 24 – Related Party Disclosures

The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity must disclose as a related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, the breakdown of the components of such compensation is not required to be disclosed.

The management expects that the adoption of the amendment will not result in additional parties being identified as related to the Group. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in next financial year.

Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments set out that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, the extent of any gain or loss recognised depends on whether the assets or subsidiary constitute a business, as defined in FRS 103 Business Combinations. When the assets or subsidiary constitute a business, any gain or loss is recognised in full; otherwise, the entity's share of the gain or loss is eliminated. The Group will apply these amendments prospectively to any such transaction occurring in annual periods beginning on or after 1 January 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

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

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

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred. The Company currently presents its investment in separate financial statements at cost and will review this policy consequent to this amendment which is effective in 2016.

Amendments to FRS 1: *Disclosure Initiative*

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

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a single comprehensive model in accounting for revenue arising from contracts with customers, and will supersede the current revenue recognition guidance including FRS 18 Revenue, FRS 11 Construction Contracts and the related Interpretations when it becomes effective in 2017.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under FRS 115, an entity recognises revenue when (or as) a performance obligations is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers.

The application of FRS 115 may have a material impact on the amounts reported and disclosures in the Group's consolidated financial statements. The Group is in the process of assessing the impact of the new standard for the future periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

FRS 109 Financial Instruments

FRS 109 replaces FRS 39 Financial Instruments: Recognition and Measurement, and introduces new requirements for classification and measurement, impairment and hedge accounting. The adoption of FRS 109 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. FRS 109 also introduces a new expected loss impairment model, and adds detailed guidance on impairment-related presentation and disclosures. FRS 109 also contains new requirements on hedge accounting, which adopts a more principle-based approach, and allows entities to choose between applying hedge accounting requirements of FRS 109 or continue to apply the existing hedge accounting requirements in FRS 39 for all hedge accounting. FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. The Group is in the process of assessing the impact of the new standard for the future periods.

Group accounting

(i) Subsidiaries

(a) Basis of consolidation

Subsidiaries are entities over which the Group has 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.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(i) Subsidiaries (Continued)

(b) Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed as incurred.

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(i) Subsidiaries (Continued)

(b) Acquisition of businesses (Continued)

Prior to 1 January 2010

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

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

(c) Disposals of subsidiaries or businesses

The assets and liabilities of the subsidiary, including any goodwill, are derecognised when a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss. Subsequently, the retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(ii) Transaction with non-controlling interest

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(iii) Associates

Associates are entities over which the Group exercises significant influence, but not control, over the financial and operating policy decision, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

Investments in associates are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associates represents the excess of the cost of acquisition of the associate over the Group's share of the fair value of the identifiable net assets of the associate and is included in the carrying amount of the investments.

In applying the equity method of accounting, the Group's share of its associates' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associates are adjusted against the carrying amount of the investment. When the Group's share of losses in an associates equals or exceeds its interest in the associates, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associates.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Investments in associates are derecognised when the Group loses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and its fair value is recognised in profit or loss.

Gains and losses arising from partial disposals or dilutions in investments in associates in which significant influence are retained are recognised in profit or loss.

Subsidiaries and associates

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Currency translation

(i) Functional and presentation currency

The individual financial statements of each entity are measured in the currency of the primary economic environment in which the entity operates ("functional currency"). The functional currency of the Company is Singapore dollar. As the Group's operations are principally conducted in the PRC, the consolidated financial statements and the balance sheet of the Company are presented in 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 balance sheet 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 balance sheet 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 financial statements and the Company's balance sheet

The assets and liabilities of foreign operations and the Company are translated into RMB at the rate of exchange ruling at the balance sheet date and their profit or loss is translated at the average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial of associates entity that is foreign operations, the preoportionate share of the accumulated exchange differences is reclassificed to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of property, plant and equipment including subsequent expenditure is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When significant parts of property, plant and equipment is required to be replaced in intervals, the Group recognises such parts as individual assets with specific lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance expenses are recognised in profit or loss when incurred.

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

Construction in progress includes all cost of construction and other direct costs. Construction in progress is reclassified to the appropriate category of property, plant and equipment when complete and ready to use.

Freehold land and construction in progress are not depreciated. All other items of property, plant and equipment are depreciated using the straight-line method to write off the cost of the property, plant and equipment less estimated residual value over their estimated useful lives as follows:

	Useful lives (Years)	Estimated residual value as a percentage of cost (%)
Leasehold buildings	5 to 20	10%
Freehold buildings	24 – 41 (*)	–
Plant and machinery	10	10%
Office equipment and fittings	5	10%
Motor vehicles	5	10%

* The remaining useful life upon acquisition date of the subsidiary.

The residual value, estimated useful life and depreciation method are reviewed, and adjusted as appropriate, at each balance sheet date periodically to ensure that the amount, method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Fully depreciated assets are retained in the financial statements until they are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in the profit or loss within "Other income/(expenses)".

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over the lease term of 50 years.

Intangible assets

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

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

Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

(a) <u>Research and development costs</u>

Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development. Following initial recognition as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the intangible asset begins when development is complete and the asset is available for use. Deferred development costs have a finite useful life and are amortised over the period of expected sales from the related projects (5 years) on a straight line basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

(b) Technical know-how

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

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

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.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely dependent on those from other assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecasts calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in profit or loss within other expenses.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets

(i) Initial recognition and measurement

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are initially recognised at fair value plus, in the case of financial assets classified as held-to-maturity, directly attributable transaction costs.

(ii) Subsequent measurement

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and for held-to-maturity investments, re-evaluates this designation at every balance sheet date. As at the balance sheet date, the Group has no financial assets in the categories of held-to-maturity investments and available-for-sale financial assets.

The subsequent measurement of financial assets depends on the classification, as follows:

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the short term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets designated at fair value through profit or loss is those that are managed and their performances are evaluated on a fair value basis, in accordance with the Group's investment policy. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains and losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables comprise cash and bank balances, trade and other receivables, including amounts due from subsidiaries.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

(ii) Subsequent measurement (Continued)

(c) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. Assets in this category are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are stated at cost less impairment loss.

(iii) Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amount charged to the allowance account is written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Available-for-sale financial assets

Considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired include (i) a significant or prolonged decline in the fair value of the investment below its costs, (ii) significant financial difficulties of the issuer or obligor, and (iii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

When the available-for-sale financial asset is impaired, the cumulative loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

(ii) Available-for-sale financial assets (Continued)

For debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as the financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Raw materials comprise purchase costs accounted for on a weighted average basis. Work-in-progress and finished goods comprise cost of direct materials, direct labour and an attributable proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to be incurred for selling and distribution.

Derivative financial instruments and hedge accounting

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk. Further details of derivative financial instruments are disclosed in Note 19 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group has entered into forward currency contracts for currency risk arising from its firm commitments for purchases and sales denominated in foreign currencies. These contracts have been assessed to be ineffective and do not qualify for hedge accounting. Consequently, the changes in fair values of these contracts are recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments and hedge accounting (Continued)

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(a) *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

Financial liabilities for contingent consideration payable in a business combination are initially measured at fair value. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(b) *Other financial liabilities*

Subsequent to initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when liabilities are derecognised, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet 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 balance sheet date are included in current borrowings in the balance sheet 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 balance sheet date and before the financial statements are authorised for issue.

Leases – the Group as lessee

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Finance leases, which transfers to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred. Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

A provision is recognised when the Group has a present obligation, legal or constructive, as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Financial guarantees

The Company issued a corporate guarantee to a bank for bank borrowing of its subsidiary. The financial guarantee contract requires the Company to reimburse the bank if the subsidiary fails to make principal or interest payments when due in accordance with the terms of the borrowing.

Financial guarantee contracts are initially recognised as a liability at their fair values, by comparing the borrowing costs of the subsidiary without any corporate guarantee, with the current interest rates charged by the bank on the bank loan and adjusted for transaction costs directly attributable to the issuance of the guarantees. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liabilities will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalent comprises cash on hand and deposits with financial institutions, excluding pledged cash deposits. Cash and cash equivalents are short term, highly liquid investments readily convertible to known amounts of cash and subject to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired.

Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grant will be received and all terms and conditions relating to the grants have been complied with. When the grant relates to an asset, the fair value is recognised as deferred income on the balance sheet 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".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must be met before revenue is recognised.

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed. It is recorded net of returns, trade allowances and duties and taxes. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

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

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

Employees' benefits

(i) Retirement benefits

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

Singapore

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

Foreign subsidiaries

The subsidiaries, incorporated and operating in the PRC, Germany and US, are required to provide certain retirement plan contribution to their employees under existing PRC and Germany regulations. Contributions are provided at rates stipulated by the PRC and Germany regulations and are managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees.

Obligations for contributions to defined contribution retirement plans are recognised as an expense in the period in which the related service is performed.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees' benefits (Continued)

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date.

Dividends

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

Income tax

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

(i) Current income tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using tax rates and tax laws that have been substantively enacted by the balance sheet 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, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising from investment in subsidiaries, 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 balance sheet 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 balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax assets to be recovered.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

(ii) Deferred tax (Continued)

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 balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(iii) Value-added tax ("VAT")

The Group's sales of goods in the PRC are subjected to VAT at the applicable tax rate of 17% for PRC domestic sales. Input tax on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Trade receivables" or "Trade payables" in the balance sheet. The Group's export sales are not subject to VAT.

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).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker responsible for allocating resources and assessing performance of the operating segments.

Critical accounting estimates, assumptions and judgments

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumption

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

(a) Fair value measurement of contingent consideration on business combination

Contingent consideration included as other payable (non-current), resulting from business combination in 2011, is valued at fair value at the acquisition date as part of the consideration transferred for business combination. Where the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on most probable scenario of the discounted cash payment. The key assumptions take into consideration the volatility of the Company's share price, the estimate future dividend, the foreign exchange rate changes and the discount factor. The basis and sensitivity of estimates and the carrying amount of the contingent consideration on business combination that occurred as at 31 December 2014 is disclosed in Note 22 to the financial statements. There is no contingent consideration arising from the business combination that occurred during the financial year.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgments (Continued)

(i) Critical accounting estimates and assumption (Continued)

(b) Useful lives and residual value of leasehold buildings, plant and machinery

The cost of construction of leasehold buildings and plant and machinery is depreciated on a straight-line basis over the estimated economic useful lives of 5-20 years and 10 years respectively, with an estimated residual value of 10%, and the remaining useful lives of freehold buildings upon acquisition date are 24 – 41 years. These are common life expectancies applied in the business where the group operates. Changes in the physical conditions of the leasehold buildings and/or expected level of usage and technological developments could impact the economic useful lives and residual values of these assets. Therefore, future depreciation charges could be revised. As at 31 December 2014, there are no indications that the remaining economic useful lives of these assets are significantly lower than the remaining useful lives. The carrying amount of the Group's buildings and plant and machinery at the balance sheet date is disclosed in Note 9 to the financial statements.

(c) Useful lives of development costs

Development costs are depreciated on a straight-line basis over the estimated economic useful lives of 5 years. These are common life expectancies applied in high security products where new technology will replace the existing development. As at 31 December 2014, there are no indications that the remaining economic useful lives of these assets are significantly lower than the remaining useful lives. The carrying amount of the Group's development costs at the balance sheet date is disclosed in Note 13 to the financial statements.

(d) Income tax

The Group and Company have unrecognised tax losses of approximately RMB 16,536,000 and RMB 144,000 (2013: RMB 15,045,000 and RMB 739,000) respectively that are available to carry forward. These losses relate to the Company and certain subsidiaries that have history of losses, do not expire and may not be used to offset taxable income elsewhere in the Group. The Company and the subsidiaries have neither temporary taxable differences nor any tax planning opportunities available that could support the recognition of any of these losses as deferred tax assets. If the Group and the Company had been able to recognise all unrecognised deferred tax assets, profit for the year would have increased by approximately RMB4,525,000 (2013: RMB2,078,000) and RMB24,000 (2013: RMB1,953,000).

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgments (Continued)

(i) Critical accounting estimates and assumption (Continued)

(e) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budgets and forecasts for the next 5 years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The carrying amount of investments in subsidiaries and property, plant and equipment and further details of the key assumptions applied in the impairment assessment of property, plant and equipment and investments in subsidiaries are disclosed in Notes 9 and 11 to the financial statements.

(f) Impairment of inventories

An impairment review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to estimate future demand for the products. Possible changes in these estimates could result in revisions to the valuation of inventory. The carrying amount of Group's inventories at the balance sheet date is disclosed in Note 14 to the financial statements.

(g) Impairment of loan and receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgement as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience. The carrying amount of the Group's trade and other receivables at the balance sheet date is disclosed in Notes 15 and 16 to the financial statements.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgments (Continued)

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

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(a) Determination of functional currency

The Group measures foreign currency transactions in the respective functional 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 functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(b) Acquisition of non-controlling interest

In October 2014, the Group increased its interest in a 60% owned subsidiary, Deutsche Mechatronics GmbH ("DTMT") by acquiring 30% equity interest and entering into a forward contract to purchase the remaining 10% equity interest from the non-controlling shareholder. In determining the extent of the Group's interest in DTMT arising from this acquisition, the management has assessed the facts and circumstances of this acquisition and has determined that the risks and rewards for the remaining 10% has also been passed to the Group and has treated DTMT as a wholly-owned subsidiary from 31 October 2014 onwards. The details of the acquisition is further disclosed in Note 11(b).

3. SHARE CAPITAL

	Group and Company			
	2014		2013	
	Number of ordinary shares	RMB'000	Number of ordinary shares	RMB'000
At beginning and end of the year	356,536,000	168,067	356,536,000	168,067

The holders of the ordinary shares are entitled to receive dividend as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

4. CAPITAL RESERVE

The capital reserve arises from the increase in paid-up capital of a subsidiary in the financial years ended 31 December 2010 and 2012, by capitalising its retained profits in accordance with the relevant PRC rules and regulations. On consolidation, the capitalised retained profits were reflected as a capital reserve of the Group. The capital reserve is non-distributable.

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THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014
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5. STATUTORY RESERVE

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the PRC, the subsidiaries being wholly foreign-owned enterprises are required to make an appropriation to a statutory reserve ("SR"). At least 10 percent of the statutory after tax profits, as determined in accordance with the applicable PRC accounting standards and regulations, must be allocated to the SR.

If the cumulative total of the SR reaches 50% of the subsidiaries' registered capital, the subsidiaries will not be required to make any further appropriation. Subject to approval from the relevant PRC authorities, the SR may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The SR is not available for dividend distribution to shareholders. The SR is non-distributable and the transfer to the SR must be made before the distribution of dividends to shareholders.

6. MERGER DEFICIT

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

7. REVENUE RESERVE/(ACCUMULATED LOSSES)

	Company	
	2014	**2013**
	RMB'000	**RMB'000**
At 1 January	**(43,027)**	(29,758)
Profit/(Loss) for the year	**86,205**	(13,269)
Dividend paid (Note 34)	**(17,736)**	–
At 31 December	**25,442**	(43,027)

8. TRANSLATION DEFICIT

	Company	
	2014	**2013**
	RMB'000	**RMB'000**
At 1 January	**(4,342)**	4,823
Currency translation difference for the year	**(7,370)**	(9,165)
At 31 December	**(11,712)**	(4,342)

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

9. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Office equipment and fittings RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2013	2,195	108,723	120,664	26,694	6,999	13,056	278,331
Additions	–	1,871	10,480	857	1,731	8,504	23,443
Reclassified from/(to)	–	4,064	–	–	–	(4,064)	–
Disposals	–	(287)	(509)	(167)	(212)	–	(1,175)
Currency translation differences	18	565	433	187	(6)	–	1,197
At 31 December 2013	2,213	114,936	131,068	27,571	8,512	17,496	301,796
At 1 January 2014	2,213	114,936	131,068	27,571	8,512	17,496	301,796
Additions	5,400	4,842	17,836	1,460	800	22,681	53,019
Acquisition of a subsidiary (Note 11(ii))	17,497	63,132	–	–	–	335	80,964
Reclassified from/(to)	–	28,188	–	–	–	(28,188)	–
Disposals	–	–	(621)	(951)	(105)	(207)	(1,884)
Currency translation differences	(1,972)	(14,209)	(68)	(49)	–	(44)	(16,342)
At 31 December 2014	23,138	196,889	148,215	28,031	9,207	12,073	417,553
Accumulated depreciation and impairment loss							
At 1 January 2013	–	52,393	77,783	25,108	4,195	–	159,479
Charge for the year	–	4,874	6,829	537	844	–	13,084
Disposals	–	(279)	(326)	(148)	(204)	–	(957)
Currency translation differences	–	448	433	187	(3)	–	1,065
At 31 December 2013	–	57,436	84,719	25,684	4,832	–	172,671
At 1 January 2014	–	57,436	84,719	25,684	4,832	–	172,671
Charge for the year	–	6,386	7,957	710	1,107	–	16,160
Disposals	–	–	(522)	(860)	(94)	–	(1,476)
Currency translation differences	–	(6,178)	(15)	(26)	–	–	(6,219)
At 31 December 2014	–	57,644	92,139	25,508	5,845	–	181,136
Net carrying amount							
At 1 January 2013	2,195	56,330	42,881	1,586	2,804	13,056	118,852
At 31 December 2013	2,213	57,500	46,349	1,887	3,680	17,496	129,125
At 31 December 2014	23,138	139,245	56,076	2,523	3,362	12,073	236,417

Assets pledged as security

The Group's freehold land and buildings with carrying amount of RMB5,400,000 (2013: nil) and RMB17,500,000 (2013: nil) are mortgaged to secure the Group's bank loan (Note 23).

The carrying amount of plant and equipment and furniture and fixtures held under finance leases at the balance sheet date were RMB12,176,000 (2013: nil).

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

10. LAND USE RIGHTS

	Group 2014 RMB'000	Group 2013 RMB'000
Cost		
At 1 January	**46,229**	46,229
Additions	**18,860**	–
At 31 December	**65,089**	46,229
Accumulated amortisation		
At 1 January	**3,011**	2,087
Amortisation for the year	**1,010**	924
At 31 December	**4,021**	3,011
Net carrying amount	**61,068**	43,218
Amount to be amortised:		
– Not later than one year	**1,010**	925
– Later than one year but not later than five years	**4,039**	3,700
– Later than five years	**56,019**	38,593

The Group has land use rights over four plots (2013: two plots) of state-owned land in the PRC with the remaining amortisation periods as follow:

	Carrying amount 2014 RMB'000	Carrying amount 2013 RMB'000	Remaining amortisation periods 2014 Years	Remaining amortisation periods 2013 Years
Land 1	9,147	9,351	46	47
Land 2	33,146	33,867	47	48
Land 3	13,174	–	50	–
Land 4	5,601	–	50	–

11. SUBSIDIARIES

	Company 2014 RMB'000	Company 2013 RMB'000
Unquoted equity shares, carried at cost		
At 1 January	**30,039**	32,183
Capitalisation of amount due from subsidiary as additional capital	**–**	12,702
Impairment loss	**–**	(12,702)
Currency translation differences	**(1,114)**	(2,144)
At 31 December	**28,925**	30,039

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11. SUBSIDIARIES (Continued)

(i) Composition of the Group

Details of the subsidiaries are as follows:

Name of companies	Principal activities	Country of incorporation and place of business	Effective equity held by the Group		Carrying amount of investment	
			2014 %	2013 %	2014 RMB'000	2013 RMB'000
Held by the Company						
Tri Star Security Pte. Ltd.[1]	Investment holding	Singapore	**100**	100	**19,944**	20,713
Tri Star Semicon Pte. Ltd.[1]	Investment holding	Singapore	**100**	100	**7,757**	8,056
Format Tresorbau Beteiligungs-GmbH[2] ("Format")	Investment holding	Germany	**100**	100	**1,224**	1,270
					28,925	30,039

Name of companies	Principal activities	Country of incorporation and place of business	Effective equity held by the Group	
			2014 %	2013 %
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, manufacture and sales of ATM safe and other products	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 (inactive)	PRC	100	100
Jiangsu Tri Star Trading Company Limited[4]	Sale and providing after-sales service of safe, auto testing instruments, mechanical and electrical products (inactive)	PRC	100	100
Jiangsu Tri Star Equipment Company Limited[4]	Manufacturing of security products, ATM, terminals and mechanical parts (inactive)	PRC	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	–
Format Tresorbau Verwaltungs GmbH[2]	Management service to Format Tresorbau GmbH & Co. KG	Germany	100	100
Format Tresorbau GmbH & Co. KG[2]	Design and manufacture of high security products	Germany	100	100
Tri Star Gmbh[4]	Investment holding	Germany	100	100
Deutsche Mechatronics GmbH (DTMT)[5]	Design and manufacture of intelligent terminals and providing electro-mechanical solution to customers	Germany	100[6]	–

(1) Audited by Crowe Horwath First Trust LLP.

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

(3) Audited by Nantong Zhongtian Certified Public Accountant Co., Ltd, a firm of Certified Public Accountants in the PRC for local statutory reporting and by Crowe Horwath First Trust LLP for the purpose of expressing an opinion on the consolidated financial statements.

(4) These subsidiaries are not subject to local statutory audit for the financial year ended 31 December 2014. Their financial statements were reviewed by Crowe Horwath First Trust LLP for the purpose of expressing an opinion on the consolidated financial statements.

(5) Audited by Rwt Horwath Gmbh, a firm of Certified Public Accountants in Germany for local statutory reporting.

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

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

11. SUBSIDIARIES (Continued)

(ii) Acquisition of subsidiary and non-controlling interests

(a) Acquisition of subsidiary

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

Consideration transferred for the acquisition of DTMT	RMB'000
Consideration settled in cash (i)	*
Capital injection as at acquisition date (ii)	8,262
* Less than RMB1,000	8,262

Identifiable assets acquired and liabilities assumed:

	Note	Fair value recognised on acquisition date RMB'000
Investment in associates	12	6,659
Property, plant and equipment	9	80,964
Cash and cash balances		10,289
Trade receivables		10,420
Other receivables		2,557
Advance to suppliers		4,126
Inventories		65,843
Borrowings		(45,798)
Trade payables		(4,716)
Other payables and accrual		(31,628)
Net identifiable assets acquired		98,716
Capital injection as at acquisition date (ii)		8,262
Fair value of total identifiable net asset acquired		106,978
Non-controlling interest measured at the non-controlling interest proportionate share of DTMTs net identifiable assets (40%)		(42,792)
Gain on bargain purchase arising from acquisition was as following:		
Total consideration transferred		8,262
Non-controlling interest		42,792
		51,054
Less: Total identifiable net asset acquired		(106,978)
Gain on bargain purchase included as other income (Note 27)		(55,924)

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11. SUBSIDIARIES (Continued)

(ii) Acquisition of subsidiary and non-controlling interests (Continued)

(a) Acquisition of subsidiary (Continued)

Effect of the acquisition of DTMT on cash flows

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

Note

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

(ii) An amount of EUR 999,998 (equivalent to RMB8,262,000) as cash paid to subsidiary as capital contribution required by the sales and purchase agreement of the acquisition.

Transaction costs

Transaction costs related to the acquisition of RMB1,616,000 (Note 30) have been recognised in the "Other expenses" in the Group's profit or loss for the year ended 31 December 2014.

Trade and other receivables acquired

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

Other fair value consideration

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

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

Impact of the acquisition on profit or loss

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

NOTES TO THE FINANCIAL STATEMENTS

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

11. SUBSIDIARIES (Continued)

(ii) Acquisition of subsidiary and non-controlling interests (Continued)

(b) Acquisition of non-controlling interest

On 31 October 2014, the Group acquired additional 30% equity interest in DTMT from its non-controlling interests for a cash consideration of EUR 1,000,000 (equivalent to RMB 7,737,000).

At the same time, the Group had also agreed with the non-controlling interests to acquire the remaining 10% equity interest in DTMT for a fixed consideration of EUR 500,000 (equivalent to RMB 3,869,000) on 1 January 2019. As the consideration for the 10% equity interest in DTMT is fixed, not subject to other changes and both parties has no right to cancel the agreement, as such, the risk and rewards of the remaining interest of DTMT has been deemed to have transferred to the Group. In addition, as the dominant shareholder of DTMT and due to the agreement to acquire the remaining equity interest, the Group is able to fully control and manage the economic benefits of DTMT. As a result, the non-controlling interest was de-recognised and the present value of the fixed consideration was recognised as redemption liability and included in "other payable".

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

	RMB'000
Consideration paid for acquisition of non-controlling interests (30%)	7,737
Present value of redemption liability on the remaining 10% interest (Note 22)	2,459
	10,196
Decrease in equity attributable to non-controlling interests	(42,792)
Increase in equity attributable to equity holders of the Company	(32,596)

12. ASSOCIATES

Equity investment at cost

	Group 2014 RMB'000	Group 2013 RMB'000
At 1 January	**–**	–
Arising from acquisition of a subsidiary (Note11(ii)(a))	**6,659**	–
Share of post-acquisition profit	**631**	–
Currency translation differences	**(674)**	–
At 31 December	**6,616**	–

As of the acquisition date and 31 December 2014, Deutsche Mechatronics GmbH ("DTMT") holds a 50% share in DTMT China Holding GmbH, which in turn holds a 100% share in DTMT Hangzhou Co Ltd, China. The investment is classified as associate as its operation is primarily managed by its sole director who is the owner of 33% shares in DTMT China Holding GmbH.

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12. ASSOCIATES (Continued)

Details of the associates (measured using equity method) are as follows:

Name of companies	Principal activities	Country of incorporation and place of business	Effective equity held by the Group		Carrying amount of investment	
			2014 %	2013 %	2014 RMB'000	2013 RMB'000
DTMT China Holding GmbH(1)	Investment holding	Germany	**50%**	–	**2,932**	–
DTMT (Hangzhou) Co. Ltd(2)	Design and manufacture of intelligent terminals and providing electro-mechanical solution to customers	PRC	**50%**	–	**3,684**	–

(1) The entity is dormant and not subject to local statutory audit for the financial year ended 31 December 2014. The financial statements were reviewed by Crowe Horwath First Trust LLP for the purpose of expressing an opinion on the consolidated financial statements.

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

The following summarises the financial information of associates, not adjusted for the percentage ownership held by the Group as follows:

Assets and liabilities:	31 December 2014 RMB'000	31 December 2013 RMB'000
Current assets	7,490	–
Non-current assets	10,873	–
Total assets	18,363	–
Total liabilities	(5,132)	–
Net assets	13,231	–
Carrying amount of investment in associates at 50% share	6,616	–

Results:	2014 RMB'000	2013 RMB'000
Revenue	6,045	–
Net profit for the year/Total comprehensive income	1,262	–

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

13. INTANGIBLE ASSETS

Group	Technical know-how RMB'000	Development costs RMB'000	Total RMB'000
Cost			
At 1 January 2013	1,327	27,634	28,961
Additions	–	3,554	3,554
At 31 December 2013/1 January 2014/31 December 2014	1,327	31,188	32,515
Accumulated amortisation			
At 1 January 2013	1,327	5,556	6,883
Amortisation for the year	–	4,850	4,850
At 31 December 2013	1,327	10,406	11,733
At 1 January 2014	1,327	10,406	11,733
Amortisation for the year	–	5,284	5,284
At 31 December 2014	1,327	15,690	17,017
Net carrying amount			
At 31 December 2013	–	20,782	20,782
At 31 December 2014	–	15,498	15,498

Technical know-how

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

Development costs

Internally-generated development costs relate to certain product development in the high security segments. These development costs are estimated to be finite and are amortised over a period of 5 years. The carrying amount and the remaining amortisation period of the individually material intangible assets are as follows:

	Carrying amount		Remaining amortisation periods	
	2014 RMB'000	2013 RMB'000	2014 Years	2013 Years
Material	**7,351**	10,392	**2.5**	3.5
Certification	**3,487**	4,649	**3**	4
Safety	**3,020**	3,553	**4**	5

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

14. INVENTORIES

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Raw materials	**91,752**	72,723
Raw materials-in-transit	**3,808**	–
Work-in-progress	**13,388**	15,175
Finished goods	**38,270**	28,838
Finished goods-in-transit	**6,435**	1,257
	153,653	117,993

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

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
At 1 January	**5,250**	5,661
Acquisition of a subsidiary	**5,651**	–
Written back for the year	**(812)**	(450)
Currency translation differences	**(1,051)**	39
At 31 December	**9,038**	5,250

The cost of inventories recognised as expenses in 'cost of sales' after deducting the write-back of allowance for inventories obsolescence, amounted to RMB532,878,000 (2013: RMB642,950,000).

15. TRADE RECEIVABLES

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade receivables	**163,780**	148,140	**2,413**	1,985
Less: Allowance for impairment (Note 38(iii))	**(259)**	(490)	**–**	–
	163,521	147,650	**2,413**	1,985
Value-added tax receivable	**1,207**	510	**–**	–
	164,728	148,160	**2,413**	1,985

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Other receivables	**4,055**	2,320	**–**	58
Deposits	**50**	864	**–**	–
Prepayments	**1,045**	5,140	**–**	–
	5,150	8,324	**–**	58

17. ADVANCES TO SUPPLIERS

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Advances to suppliers	**16,236**	6,634	**–**	96
Less: Allowance for impairment	**–**	(13)	**–**	–
	16,236	6,621	**–**	96

The movement in allowance for impairment is as follows:

	Group	
	2014 RMB'000	2013 RMB'000
At 1 January	**13**	92
Written back	**(13)**	(79)
At 31 December	**–**	13

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

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

The trade balance due to a related party arose from the purchases of raw materials from a company in which a director of the Company has controlling financial interest.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

19. DERIVATIVE FINANCIAL INSTRUMENTS

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

	Notional principal			
	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Forward currency contracts	**692,663**	570,254	**97,904**	–

	Derivative (liabilities)/assets			
	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Forward currency contracts	**(4,635)**	13,322	**(1,050)**	–

Forward currency contracts are used to hedge the Group's exposure to foreign exchange rates changes in the receivables and forecast sales denominated in the United States dollar against Renminbi. The settlement dates of these contracts ranged from 1 to 12 months (2013: 1 to 12 months) from the balance sheet date.

No hedge accounting is applied on these forward currency contracts and a loss of RMB18,072,000 (Note 30) (2013: gain of RMB9,496,000) (Note 27) and a gain of RMB8,425,000 (2013: RMB14,456,000) (Note 27) have been recognised in the profit or loss for the year on the open contracts and closed contracts respectively.

Fixed deposits of RMB3,450,000 (2013: RMB6,210,000) are pledged in connection with derivative financial instruments as disclosed in Note 21.

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2014	2013
	RMB'000	RMB'000
At 1 January		
At cost	**–**	–
Additions	**100,000**	–
At 31 December	**100,000**	–

Note:

During the year, the Group invested structured deposits with maturity period ranging from 3 – 6 months with two local PRC financial institutions, namely Ping An Trust and Hua Tai Securities (平安信托和华泰证券). The structured deposits bore interest ranging from 4.5% – 7% per annum.

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

21. CASH AND BANK BALANCES

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Cash in hand	**159**	112	**–**	–
Cash at banks	**46,417**	52,390	**7,413**	3,959
Fixed deposits (Note A)	**31,237**	116,260	**–**	–
Cash and bank balances	**77,813**	168,762	**7,413**	3,959
Less: Pledged fixed deposits (Note B)	**(17,087)**	(19,560)		
Cash and cash equivalents as stated in consolidated statement of cash flows	**60,726**	149,202		

As at 31 December 2014, the Group has cash and bank balances deposited with banks in the PRC, denominated in Chinese Renminbi ("RMB") amounting to approximately RMB35,083,000 (2013: RMB125,483,000). The RMB is not freely convertible into foreign currencies. In accordance with the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

Note A

The fixed deposits of the Group have maturity periods ranging from 1 to 12 months (2013: 1 to 12 months). The fixed deposits bear interest ranging from 2.30% to 4.4% (2013: 2.30% to 6.70%) per annum.

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

Note B

Fixed deposits of RMB 3,450,000 and RMB 13,637,000 (2013: RMB 6,210,000 and RMB 13,350,000) (Note 19) are pledged in connection with derivative financial instruments and loan of a subsidiary (Note 23). The loan has been fully repaid as at 31 December 2014 and the pledged deposit has been subsequently released in January 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

22. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Current				
Advances from customers	**4,613**	4,001	**–**	–
Accrued expenses (Note A)	**39,195**	21,565	**2,157**	1,846
Other payables	**21,788**	10,511	**–**	–
Other taxes payable	**6,124**	537	**–**	–
Contingent consideration (Note B)	**–**	21,326	**–**	21,326
	71,720	57,940	**2,157**	23,172
Non-current				
Other payable				
– Contingent consideration (Note B)	**2,826**	–	**2,826**	–
– Redemption liability (Note 11 (ii) (b))	**2,459**	–	**–**	–
	5,285	–	**2,826**	–

Note A

Included in accrued expenses is accrued salaries and bonus amounting to RMB32,463,000 (2013: RMB20,830,000) and RMB1,531,000 (2013: RMB1,388,000) of the Group and Company respectively.

Note B

The movement of contingent consideration is as follows:

	Group and Company	
	2014	**2013**
	RMB'000	**RMB'000**
At 1 January	**21,326**	23,283
Unwinding of discount	**727**	2,582
Fair value changes	**(19,317)**	(2,999)
Currency translation differences	**90**	(1,540)
At 31 December	**2,826**	21,326

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

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

A contingent consideration has been agreed as part of the purchase agreement with the Vendor and is guaranteed by a director and a shareholder. Additional cash payment shall be paid to the Vendor, if during a period of 6 months after the expiration of three years commencing from 1 October 2011 ("Validity Period"), the Vendor sells part of, or all of its Consideration shares in the Singapore Exchange in the open market or, elsewhere, if the Company agrees, the Company shall undertake to compensate the Vendor a sum based on the following formula:

Contingent consideration = number of shares sold x (Euro 5,000,000 ÷ 28,536,000 – net proceeds per share in Singapore dollar ÷ prevailing exchange rate)

The contingent consideration was classified as current liabilities as at 31 December 2013 as the Validity Period for the potential compensation commences on September 2014.

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

22. OTHER PAYABLES AND ACCRUALS (Continued)

Note B (Continued)

During the current financial year, the Company and the Vendor have amended the key terms of the contingent consideration, which extends the validity period from September 2014 to March 2015 to a period between October 2019 and March 2020; and includes a new term to offset any dividend payout from 1 January 2014 to 31 March 2020 from the contingent consideration pay-out. If the Vendor sells part of, or all of 28,536,000 Consideration Shares, before or after the Validity Period, the contingent consideration pay-out shall no longer be valid. The pay-out is guaranteed by a director of the Company (2013: the same director and a controlling shareholder of the Company).

As a result of the extension and change of terms, the fair value of the contingent consideration as at 31 December 2014 is reduced to RMB2,826,000 (2013: RMB21,326,000) and the fair value change of RMB19,317,000 (2013: RMB2,999,000) was recognised in profit or loss as other income (Note 27).

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

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

	2014	2013
Number of consideration shares held by the Vendor on October 2019 (2013: September 2014) and sold by Vendor during the Validity Period	**28,536,000**	28,536,000
Discount rate	**6.25%**	6.25%
Share price on disposal of consideration shares (SGD cents, historical 1-year average)	**23.0**	14.1
Total estimated dividend payment before March 2020 (SGD cents)	**3**	Not applicable
Exchange rate (SGD/EURO, 3 years forward contract rate (2013: 9 months forward contract rate))	**1.71**	1.73

The unwinding of discount on the contingent consideration of RMB727,000 (2013: RMB2,582,000) were recognised in profit or loss as finance expenses (Note 29).

Sensitivity to changes in assumptions

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

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

2013 **Group and Company**	**Effect of +5% change to profit and loss RMB'000**	**Effect of -5% change to profit and loss RMB'000**
Change in discount rate	41	(41)
Change in share price	928	(928)
Change in SGD/EURO exchange rate	(1,994)	1,994

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

23. BORROWINGS

	Group	
	2014 RMB'000	2013 RMB'000
Due within one year		
Loans (i)	33,467	12,469
Finance lease obligations (ii)	1,982	–
	35,449	12,469
Due after one year less than five years		
Loans (i)	3,842	–
Finance lease obligations (ii)	3,200	–
	7,042	–
Due after five years		
Loans (i)	384	–
	384	–
Total borrowings		
Loans (i)	37,693	–
Finance lease obligations (ii)	5,182	–
	42,875	12,469

(i) LOANS

	Group	
	2014 RMB'000	2013 RMB'000
Due within one year		
Loans 1 (Secured)	–	12,469
Loans 2 (Secured)	768	–
Loans 3 (Secured)	32,699	–
	33,467	12,469
Due after one year less than five years		
Loans 2 (Secured)	3,842	–
	3,842	–
Due after five years		
Loans 2 (Secured)	384	–
	384	–
Total borrowings		
Loans 1 (Secured)	–	12,469
Loans 2 (Secured)	4,994	–
Loans 3 (Secured)	32,699	–
	37,693	12,469

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

23. BORROWINGS (Continued)

(i) LOANS (Continued)

Loans 1 (Secured)

This bank loan obtained by a German subsidiary of the Group is fully repaid during the financial year. The loan was secured by pledged deposit of RMB13, 350,000 as at 31 December 2013 (Note 21) of a PRC subsidiary and a guarantee issued by the same subsidiary. The loan had borne interest at 2.8% per annum which was 1.8% above 3 months EURIBOR. As at 31 December 2014, there is no outstanding loan (2013: Euro 1,481,000, equivalent to approximately RMB12,469,000).

Loans 2 (Secured)

This mortgage loan was obtained by a US subsidiary of the Company from a US bank to finance the acquisition of a warehouse in US. The Company provided guarantee for the loan. The loan bears interest at 4.8% per annum and is repayable by 15 June 2021.

Loans 3 (Secured)

This loan, secured by the land of a German subsidiary, represented the existing loan of the German subsidiary acquired during the financial year. The loan bears interest at 5.5% per annum, and is repayable by 20 March 2024. However, the loan agreement includes an overriding repayment on demand clause at the bank's discretion, irrespective of whether a default event has occurred. Accordingly, the loan is classified as a current liability as at 31 December 2014.

(ii) FINANCE LEASE OBLIGATIONS

	Group	
	2014 RMB'000	2013 RMB'000
Due within one year or more (current)		
Lease obligations		
Minimum lease payment	2,092	–
Interest	(110)	–
	1,982	–
Due after one year and not late than five years (non-current)		
Lease obligations		
Minimum lease payment	3,613	–
Interest	(413)	–
	3,200	–
Lease obligations	5,182	–

Interest is payable at effective interest rate of 2.6% to 5.49% per annum and the finance lease obligation of the Group are effectively secured over equipments (Note 9) as the legal title is retained by the lesser and will be transferred to the Group upon full settlement of the finance lease obligation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

24. DEFERRED TAX

	Group	
	2014 RMB'000	2013 RMB'000
At 1 January	**(3,576)**	(2,203)
Recognised in the consolidated statement of comprehensive income (Note 32)	**(1,358)**	(1,373)
At 31 December	**(4,934)**	(3,576)

	Consolidated balance sheet		Consolidated statement of comprehensive income	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Deferred tax (liabilities)/assets				
Net difference between net carrying amount of intangible assets and their tax base	**(2,100)**	(2,846)	**(746)**	(144)
Deferred government grant	**168**	492	**324**	144
Allowances for doubtful debts and inventories obsolescence	**747**	94	**(653)**	200
Derivative financial instruments	**544**	(1,178)	**(1,722)**	1,041
Provision for withholding tax	**(3,891)**	–	**3,891**	–
Others	**(402)**	(138)	**264**	132
	(4,934)	(3,576)	**1,358**	1,373

During the financial year, the Group provided for deferred tax liabilities amounting to RMB3,891,000 (2013: nil) relating to the withholding taxes payable on the portion of undistributed profit of the PRC subsidiaries which is probable to be distributed within the foreseeable future. Temporary differences of RMB124,065,000 (2013: RMB183,508,000) have not been recognised for the withholding taxes that will be payable on the remaining undistributed profits of the PRC subsidiaries when remitted to the Company.

25. DEFERRED INCOME

	Group	
	2014 RMB'000	2013 RMB'000
Government grant I	**2,320**	3,280
Government grant II	**7,098**	7,280
	9,418	10,560

The movement in the government grants is as follows:

	Group	
	2014 RMB'000	2013 RMB'000
At 1 January	**10,560**	11,520
Amortisation for the year	**(1,142)**	(960)
At 31 December	**9,418**	10,560

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

25. DEFERRED INCOME (Continued)

Government grant I

This relates to amounts received from the PRC government by a subsidiary in 2009 to finance a major development project for a new material used in the high security segment (Note 13). The project is expected to complete by October 2011. However, partial refund of RMB1,700,000 was made in 2012 to the PRC government as certain criteria was not met. The balance will be amortised over the remaining useful life of the development project.

Government grant II

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

26. REVENUE

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Sales of automated teller machines and commercial safe	**859,576**	968,098
Sales of electro-mechanical equipment and modules, precision engineering parts and other products	**191,337**	59,486
	1,050,913	1,027,584

27. OTHER INCOME

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Allowance for trade doubtful debts written back (Note 38(iii))	**202**	603
Amortisation of deferred income (Note 25)	**1,142**	960
Fair value gain on derivative financial instruments (Note 19)	**–**	9,496
Government grants (Note A)	**6,221**	3,323
Sales of raw material	**3,044**	1,455
Sales of steel scrap	**1,398**	1,183
Settlement of forward contracts, net (Note 19)	**8,425**	14,456
Fair value changes on contingent consideration (Note 22)	**19,317**	2,999
Allowance for stock obsolescence written back (Note 14)	**812**	450
Gain on bargain purchase arising from acquisition (Note 11(ii))	**55,924**	–
Foreign exchange gain, net	**605**	–
Others	**1,404**	2.332
	98,494	37,257

Note A

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

27. OTHER INCOME (Continued)

Detail of government grants:

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
R & D subsidy	**1,470**	–
Technology grant	**3,206**	760
Company growth incentives	**1,228**	1,841
Others	**317**	722
Total	**6,221**	3,323

28. PERSONNEL EXPENSES

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Wages, salaries and bonuses*	**146,697**	143,285
Other short-term employee benefits	**12,492**	9,625
Defined contribution pension scheme*	**18,286**	6,145
	177,475	159,055

* Includes directors' remuneration as disclosed in Note 35.

29. FINANCE INCOME/(EXPENSES), NET

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Finance income		
Interest income	**3,990**	2,140
Finance expenses		
Interest expenses	**(1,660)**	(348)
Unwinding of discount on contingent consideration (Note 22)	**(727)**	(2,582)
Finance income/(expenses), net	**1,603**	(790)

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

30. OTHER EXPENSES

	Group	
	2014 RMB'000	2013 RMB'000
Amortisation of land use rights (Note 10)	**1,010**	924
Fair value loss on derivative financial instruments (Note 19)	**18,072**	–
Foreign exchange loss, net	**–**	7,567
Loss on disposal of property, plant and equipment	**346**	187
Withholding tax on dividends from a PRC subsidiary	**2,000**	–
Acquisition relating to acquisition of a subsidiary (Note 11)	**1,616**	–
Others	**61**	2
	23,105	8,680

31. PROFIT BEFORE TAX

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

	Group	
	2014 RMB'000	2013 RMB'000
Write back for advances to suppliers	**(13)**	(79)
Allowance for stock obsolescence written back	**(812)**	(450)
Auditors' remuneration		
– auditors of the Company	**770**	734
– other auditors	**354**	396
Non-audit fees paid to		
– auditors of the Company	**226**	118
Amortisation of intangible assets	**5,284**	4,850
Amortisation of land use rights	**1,010**	924
Depreciation of property, plant and equipment	**16,160**	13,084
Development costs	**25,660**	25,112
Directors' fees		
– directors of the Company (Note 35)	**1,301**	981
Directors' remuneration		
– directors of the Company (Note 35)	**1,377**	2,340
Operating lease expenses	**5,291**	7,685
Allowance for trade doubtful debts written back	**(202)**	(603)
Personnel expenses (Note 28)*	**177,475**	159,055

* Includes directors' remuneration as disclosed in this note.

NOTES TO THE FINANCIAL STATEMENTS

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32. INCOME TAX

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Income tax		
– Current year	**17,459**	14,558
– (Over)/Under provision in prior year	**(809)**	1,767
Deferred tax		
– Current year	**1,358**	1,937
– Provision in prior years	**–**	(564)
	18,008	17,698

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

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Profit before tax	**162,836**	118,055
Tax expenses based on PRC statutory tax rate of 25% (2013: 25%)	**40,709**	29,514
Tax concession in PRC	**(7,178)**	(10,148)
Differences in tax rates in Singapore/Germany/USA	**(148)**	(752)
Income not subject to tax	**(22,036)**	(3,325)
Expense not deductible	**1,310**	444
Current year tax losses carried forward not recognised as deferred tax asset	**4,040**	585
(Over)/Under provision in prior year	**(809)**	1,203
Withholding tax on undistributed earnings of the PRC subsidiaries	**3,891**	–
Utilisation of tax losses brought forward previously	**(1,984)**	–
Others	**213**	177
Income tax expense	**18,008**	17,698

The Group has unused tax losses of RMB16,536,000 (2013: RMB15,045,000) with no expiry term for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these balances is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies in the Group operate.

<u>The Company and Singapore subsidiaries</u>

The Company and these subsidiaries are subject to an applicable tax rate of 17%

<u>German subsidiaries</u>

The subsidiaries are subject to an applicable tax rate from 13.65% to 31.05%.

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32. INCOME TAX (Continued)

Tri Star Inc. (PRC)

In accordance with the Income Tax Law of the PRC for New and High Technology Enterprise and various approval documents issued by the Tax Bureau of the PRC, the subsidiary, being awarded the "High Technology Enterprise" status, enjoys a concessionary tax rate of 15%, as compared to the statutory tax rate for PRC companies of 25%.

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

The subsidiaries are subject to an applicable tax rate of 25%.

Shanghai Tri Star Engineering Technology Co., Ltd. (PRC)
Jiangsu Tri Star Terminal Equipment Technology Co., Ltd. (PRC)
Jiangsu Tri Star Trading Company Limited (PRC)
Jiangsu Tri Star Equipment Company Limited (PRC)

The subsidiaries are subject to an applicable tax rate of 25%. They are dormant and have no taxable income for the period from the date of incorporation to 31 December 2014.

Format USA Inc and Format USA LLC

The subsidiaries are subject to an applicable tax rate of 8.84%.

33. EARNINGS PER SHARE

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

	2014	2013
Net profit attributable to the equity holders of the Company (RMB'000)	**144,828**	100,357
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)	**40.62**	28.15

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.

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34. DIVIDENDS

	Group 2014 RMB'000	Group 2013 RMB'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
– Interim exempt (one-tier) dividend of S$0.01 (2013: Nil) per share	**17,736**	–

35. 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 2014 RMB'000	Group 2013 RMB'000
(a) Transactions		
Purchase of raw materials from a related party*	**962**	1,298
Rental expenses paid to a related party*	**3,735**	3,735
Advances from a related party*	**–**	3,600

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

	Group 2014 RMB'000	Group 2013 RMB'000
(b) Compensation of key management personnel		
Short-term employee benefits	**7,235**	7,570
Defined contribution pension scheme	**101**	48
Comprise amounts paid/payable to:		
Directors of the Company	**2,678**	3,321
Other key management personnel	**4,658**	4,297

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

36. COMMITMENTS

(i) Non-cancellable operating lease commitments

The Group leases land and building, offices and certain plant and machinery under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

The future aggregate minimum lease payable under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities are as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Future minimum lease payments		
– not later than one year	**6,541**	8,053
– later than one year and not later than five years	**11,366**	14,989
	17,907	23,042

(ii) Future capital expenditure

	Group	
	2014 RMB'000	2013 RMB'000
Capital expenditure contracted but not provided in the financial statements		
– commitments in respect of plant and machinery	**113**	4,587
– commitments in respect of building construction in progress	**14,607**	–
– commitments in respect of a new research and development centre	**–**	1,948
	14,720	6,535
Capital expenditure approved but not contracted for		
– commitments in respect of a new research and development centre	**121,905**	123,428

37. SEGMENT INFORMATION

The Group has 2 reportable segments in this financial year namely High Security and Business Solutions (2013: High Security and Semi-conductors), which represent the Group's strategic business units. Both the former Semiconductors segment and DTMT provide various business solutions to their customers. They are similar in business nature and are managed by the Group's CEO (the chief operating decision maker) in combination. As a result, the Group grouped the existing Semi-conductor segment together with the newly acquired business of DTMT in designing, engineering, manufacturing and assembling electro-mechanical equipment and modules and other products as "Business Solutions" segment:

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37. SEGMENT INFORMATION (Continued)

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

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

Other operations include investment holding companies with head-office corporate functions and inactive companies. Expenses incurred by these companies, which mainly include remuneration for key management personnel under corporate functions, are presented as unallocated expenses in the reconciliation below.

Information regarding the results of each reportable segment is included below. Performance is measured based on profit from operations segment, which represents profit before interest and tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment assets reported to the Group's CEO represents the total assets of the reportable segments. There are no inter-segment transactions.

2014	High Security RMB'000	Business Solutions RMB'000	Group RMB'000
Revenue			
External sales	859,576	191,337	1,050,913
Segment results			
Profit from operations	103,913	63,505	167,418
Finance income, net			1,603
Unallocated expenses			(6,185)
Profit before tax			162,836
Income tax			(18,008)
Profit for the year			144,828
Segment assets			
Reportable segment assets	447,802	384,521	832,323
Unallocated assets			
– Cash and bank balances			4,856
			837,179
Other segment items			
Amounts included in the measure of segment assets:			
Additions to property, plant and equipment	36,449	16,570	53,019
Additions of land use rights	18,860	–	18,860
Investment in associates	–	6,616	6,616
Amounts included in the measure of segment results:			
Depreciation of property, plant and equipment	13,503	2,657	16,160
Amortisation of intangible assets	5,284	–	5,284
Amortisation of land use rights	288	722	1,010
Fair value gain on contingent consideration	19,317	–	19,317
Fair value loss on derivative financial instruments	17,537	535	18,072
Share of profits of associates	–	631	631
Gain on bargain purchase	–	55,924	55,924

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37. SEGMENT INFORMATION (Continued)

2013	High Security RMB'000	Business Solutions RMB'000	Group RMB'000
Revenue			
External sales	968,098	59,486	1,027,584
Segment results			
Profit from operations	110,107	14,126	124,233
Finance expenses, net			(790)
Unallocated expenses, net			(5,388)
Profit before tax			118,055
Income tax			(17,698)
Profit for the year			100,357
Segment assets			
Reportable segment assets	619,903	29,617	649,520
Unallocated assets			
– Cash and bank balances			6,785
– Others			2
			656,307
Other segment items			
Amounts included in the measure of segment assets:			
Additions to property, plant and equipment	23,394	49	23,443
Additions to intangible assets	3,554	–	3,554
Amounts included in the measure of segment results:			
Depreciation of property, plant and equipment	11,900	1,184	13,084
Amortisation of intangible assets	4,850	–	4,850
Amortisation of land use rights	924	–	924
Fair value gain on contingent consideration	2,999	–	2,999
Fair value gain on derivative financial instruments	9,111	385	9,496

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37. 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 basis of the geographical segments, segment revenue is based on the location of customers regardless of where the goods are produced. Non-current 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
2014						
Revenue	**393,198**	**253,293**	**330,099**	**73,804**	**519**	**1,050,913**
Non-current assets	**212,180**	**9,585**	**97,834**	**–**	**–**	**319,599**

	PRC RMB'000	North & South America RMB'000	Europe RMB'000	Asia Pacific RMB'000	Africa RMB'000	Consolidated RMB'000
2013						
Revenue	238,927	512,612	228,947	47,098	–	1,027,584
Non-current assets	172,470	–	20,655	–	–	193,125

Major customers

Revenue of approximately RMB137,156,000 (2013: RMB231,268,000) of the Group's total revenue is derived from a single external customer, which is attributable to the "High security" segment.

Revenue of approximately RMB157,680,000 (2013: RMB195,485,000) of the Group's total revenue is derived from a multi-national company, which is attributable to the "High security" segment.

Revenue of approximately RMB114,217,000 (2013: RMB138,766,000) of the Group's total revenue is derived from another multi-national company, which is attributable to the "High security" segment.

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38. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

Categories of financial instruments

The following table sets out the financial instruments as at the balance sheet:–

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Loans and receivables	**578,009**	526,636	**161,788**	118,271
Fair value through profit or loss				
– held for trading (Note 19)	**–**	13,322	**–**	–
Available-for-sale financial assets	**100,000**	–	**–**	–
Financial assets	**678,009**	539,958	**161,788**	118,271
Financial liabilities at amortised cost	**521,091**	354,536	**5,040**	27,708
Fair value through profit or loss				
– held for trading (Note 19)	**4,635**	–	**1,050**	–
– designated at inception (Note 22B)	**2,826**	21,326	**2,826**	21,326
Financial liabilities	**528,552**	375,862	**8,916**	49,034

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

(i) Market risk

(a) Foreign exchange risk

Foreign exchange risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Most of Group's sales are directed overseas and for such exports, it transacts mainly in United States dollar ("USD"). As a result, movements in USD 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. The Group does not utilise forward contracts or other arrangements for speculative purposes.

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38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

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

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

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group As at 31 December 2013	Singapore dollar RMB'000	United States dollar RMB'000	Chinese Renminbi RMB'000	Euro RMB'000	Total RMB'000
Financial assets					
Cash and bank balances	1,586	29,325	125,483	12,368	168,762
Trade receivables	–	98,247	30,805	19,108	148,160
Other receivables and deposits	58	–	2,087	1,039	3,184
Derivative financial instruments	–	13,322	–	–	13,322
Intragroup receivables	124,129	6,505	59,152	16,744	206,530
	125,773	147,399	217,527	49,259	539,958
Financial liabilities					
Trade payables	–	10,089	82,316	6,734	99,139
Other payables and accruals	1,869	7	22,108	29,418	53,402
Borrowings	–	–	–	12,469	12,469
Due to a related party (trade)	–	–	722	–	722
Due to a related party (non-trade)	–	–	3,600	–	3,600
Intragroup payables	124,129	6,505	59,152	16,744	206,530
	125,998	16,601	167,898	65,365	375,862
Net financial (liabilities)/assets	(225)	130,798	49,629	(16,106)	164,096
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	4,659	(5,832)	(48,604)	11,164	(38,613)
	4,434	124,966	1,025	(4,942)	125,483
Less: Forward currency contracts	–	(570,254)	–	–	(570,254)
Foreign currency exposure	4,434	(445,288)	1,025	(4,942)	(444,771)

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38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

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

Company As at 31 December 2013	Singapore dollar RMB'000	United States dollar RMB'000	Euro RMB'000	Total RMB'000
Financial assets				
Cash and bank balances	1,185	2,774	–	3,959
Trade receivables	–	1,985	–	1,985
Other receivables	58	–	–	58
Due from subsidiaries	112,269	–	–	112,269
	113,512	4,759	–	118,271
Financial liabilities				
Trade payables	–	4,536	–	4,536
Other payables and accruals	1,846	–	21,326	23,172
	1,846	4,536	21,326	27,708
Net financial assets/(liabilities)	111,666	223	(21,326)	90,563
Less: Net financial assets denominated in the Company's functional currencies	(111,666)	–	–	(111,666)
Foreign currency exposure	–	223	(21,326)	(21,103)

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38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Foreign exchange risk sensitivity

The following table details the sensitivity to a 10% appreciation of the Chinese Renminbi against the relevant foreign currencies. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

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

	Group Profit or loss RMB'000	Company Profit or loss RMB'000
2014		
SGD/RMB	**1,264**	**–**
USD/RMB	**46,810**	**(7,083)**
RMB/SGD	**(34)**	**33**
EURO/RMB	**(878)**	**–**
2013		
SGD/RMB	(333)	–
USD/RMB	33,397	(17)
RMB/SGD	77	1,599
EURO/RMB	371	–

A weakening of the RMB against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The Group has entered into forward currency contracts to reduce exposure from currency fluctuations arising from its trading operations, mainly in USD. As at 31 December 2014, the Group has outstanding balance of RMB692,663,000 (2013: RMB570,254,000) with settlement dates ranging from 1 to 12 months (2013: 1 to 12 months) as disclosed in Note 19.

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

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38. 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 2014, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

The following table sets out the carrying amount, by maturity, of the Group's financial instruments, that are exposed to interest rate risk:

	Group	
	2014 RMB'000	**2013 RMB'000**
Within one year –floating rate		
Bank borrowings (Note 23)	**–**	12,469
Within one year– fixed rates		
Fixed deposits (Note 21)	**31,237**	116,260
Bank borrowings (Note 23)	**33,467**	–
Finance lease obligations (Note 23)	**1,982**	–
More than one year not late than five years – fixed rates		
Bank borrowings (Note 23)	**3,842**	–
Finance lease obligations (Note 23)	**3,200**	–
More than five years – fixed rates		
Bank borrowings (Note 23)	**384**	–

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 balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting periods in the case of instruments that have floating rates.

If the interest rates had been 100 basis points higher or lower and all other variables had been held constant, the Group's net profit for the year ended 31 December 2014 would have been nil (2013: RMB94,000) attributable to the Group's exposure to interest rates on its variable rates borrowings.

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38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk

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

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

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

Group	**On demand or within 1 year RMB'000**	**Within 2 to 5 years RMB'000**	**More than 5 years RMB'000**	**Total RMB'000**
2014				
Non-derivative instruments				
Trade payables	**82,969**	**–**	**–**	**82,969**
Other payables and accruals	**60,983**	**3,869**	**3,864**	**68,716**
Due to a related party (trade)	**442**	**–**	**–**	**442**
Finance lease obligation	**2,092**	**3,613**	**–**	**5,705**
Loans	**33,467(*)**	**8,078**	**773**	**42,318**
	179,953	**15,560**	**4,637**	**200,150**

* Balance due within one year approximate their carrying amounts as the impact of discounting is not significant. Included in the borrowing is a loan 3 which is classified as current liabilities due to overriding clause of demand by the bank. The total future contractual cash flows of the loan up to the maturity in 2024 amounted to Euro 5,593,700 (equivalent to RMB41,704,000). The contractual cash flows which are repayable in 1 year, within 2 to 5 years and above 5 years amounted to Euro 604,700 (equivalent to RMB4,509,000), Euro 2,419,000 (equivalent to RMB18,034,000) and Euro 2,570,000 (equivalent to RMB19,161,000) respectively.

Group	**On demand or within 1 year RMB'000**	**Within 2 to 5 years RMB'000**	**Total RMB'000**
2013			
Non-derivative instruments			
Trade payables	99,139	–	99,139
Other payables and accruals	54,327	–	54,327
Due to a related party (trade)	722	–	722
Due to a related party (non-trade)	3,600	–	3,600
Borrowings	12,818	–	12,818
	170,606	–	170,606

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38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (Continued)

Company	On demand or within 1 year RMB'000	Within 2 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
2014				
Non-derivative instruments				
Trade payables	**2,883**	**–**	**–**	**2,883**
Other payables and accruals	**2,157**	**–**	**3,864**	**6,021**
Guarantee for subsidiary's loan (Note 23(i))	**768**	**3,842**	**384**	**4,994**
	5,808	**3,842**	**4,248**	**13,898**
2013				
Non-derivative instruments				
Trade payables	4,536	–	–	4,536
Other payables and accruals	24,097	–	–	24,097
	28,633	–	–	28,633

(iii) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. 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 included 3 debtors (2013: 3 debtors) that individually represented 7% to 31% (2013: 7% to 24%) of trade receivables, which operate in the distribution of high security products.

Exposure to credit risk

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by:

The carrying amount of each class of financial assets recognised in the balance sheets, including derivatives with positive fair value.

The carrying amounts of cash and bank balances, available-for-sale financial assets, trade and other receivables, represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

Cash and bank balances, fixed deposits and available-for-sale financial assets are placed with reputable financial institutions in Singapore, PRC, USA and Germany. Therefore, credit risk arises mainly from the inability of its customers to make payments when due. The amounts presented in the balance sheet are not impaired due to its good collection track records.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB"), UNLESS OTHERWISE STATED)

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

The Group's trade receivables are non interest-bearing and are generally on 60 days (2013:60 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The Group's and Company's major classes of financial assets are cash and bank balances and trade receivables. The credit risk for trade receivables (excluding VAT receivables), net of allowance for impairment loss, based on the information provided to key management is as follows:

	Group	
	2014 RMB'000	2013 RMB'000
By geographical areas		
– People's Republic of China	**95,930**	75,896
– Asia Pacific	**2,272**	2,010
– Europe	**34,989**	22,011
– North & South America	**30,330**	47,733
	163,521	147,650

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

	Group	
	2014 RMB'000	2013 RMB'000
Not past due and not impaired	**138,938**	113,770
Past due but not impaired		
– Past due 0 to 3 months	**24,243**	30,378
– Past due over 3 months	**340**	3,502
	24,583	33,880
Impaired trade receivables	**259**	490
Less: Allowance for impairment loss (Note 15)	**(259)**	(490)
Net trade receivables	**163,521**	147,650

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

The movement in allowance for impairment loss is as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Balance at beginning of the year	**490**	1,093
Written back during the financial year	**(202)**	(603)
Translation reserve	**(29)**	–
Balance at end of the year (Note 15)	**259**	490

Trade receivables that are not past due and not impaired are with credit worthy debtors with good payment records with the Group.

Included in the Group's trade receivable balance are debtors with total carrying amount of approximately RMB24,583,000 (2013: RMB33,880,000) which are past due but not impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

As other receivables are not significant, no detailed age analysis has been disclosed.

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 23, net of cash and bank balances, and the equity attributable to equity holders of the Company, comprising issued capital and reserves as disclosed in Notes 3 to 8.

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 2013.

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

39. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

The following table shows an analysis of financial instruments carried at fair value (recurring measurements) by level of fair value hierarchy as at 31 December 2014:

	Group			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
2014				
Financial liability				
Derivatives financial instruments				
– forward currency contracts	**–**	**(4,635)**	**–**	**(4,635)**
Contingent consideration (non-current)	**–**	**(2,826)**	**–**	**(2,826)**
At 31 December 2014	**–**	**(7,461)**	**–**	**(7,461)**
2013				
Financial assets/(liability)				
Derivatives financial instruments				
– forward currency contracts	–	13,322	–	13,322
Contingent consideration (non-current)	–	(21,326)	–	(21,326)
At 31 December 2013	–	(8,004)	–	(8,004)

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

There have been no transfers between Level 1 and Level 2 during the financial years ended 31 December 2013 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

39. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

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

Determination of fair value

Forward currency contracts (Note 19):

The fair value of forward currency contracts are based on valuations provided by the financial institutions that are the counterparties to the transactions. The inputs to the valuation techniques include the foreign exchange spot and forward rates.

Contingent consideration (Note 22):

The fair value of the contingent consideration was computed based on quoted average share price and exchange rate, and is discounted to present value.

(ii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of cash and bank balances, trade and other receivables and payables, available-for-sale financial assets, amounts due from/to subsidiaries/related party, and borrowings are reasonable approximation of fair values due to the relatively short-term maturity of these financial instruments.

The available-for-sale financial assets are placed with reputable financial institutions in the PRC with expected annualized return from 4.5% to 7%. In consideration of the short maturity periods and the low risk profile of the investment, the management is of the view that the carrying amount represents reasonable approximately of its fair value.

(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

As at balance sheet date, there are no financial instruments in this category.

40. EVENT OCCURRING AFTER THE REPORTING PERIOD

On 2 March 2015, a wholly-owned subsidiary of the Company has established a wholly-owned subsidiary in Hong Kong under the name "Mechatronics Technology HK Limited" (the "Subsidiary"), which principal activity of the Subsidiary are those of research and development, sales and providing after-sale service of safe, banking equipment, intelligent terminals and electromechanical integration equipment.

SHAREHOLDERS' INFORMATION

AS AT 16 MARCH 2015

GENERAL INFORMATION ON SHARE CAPITAL

Class of equity securities	Number of equity securities	Voting Rights
Ordinary Shares	356,536,000	One Vote Per Share

Size of Shareholding	Number of Shareholders	% of Shareholders	Number of Shares	% of Shares
1 – 99	0	0.00	0	0.00
100 – 1,000	89	13.32	87,471	0.03
1,001 – 10,000	256	38.33	1,350,436	0.38
10,001 – 1,000,000	298	44.61	29,639,793	8.31
1,000,001 & ABOVE	25	3.74	325,458,300	91.28
TOTAL	**668**	**100.00**	**356,536,000**	**100.00**

TOP TWENTY SHAREHOLDERS AS AT 16 MARCH 2015

Name of Shareholders	No. of Shares	% of Shares
SPECTACULAR BRIGHT CORP.	152,438,956	42.76
WILLALPHA INTERNATIONAL LIMITED	56,282,864	15.79
DROEGE CAPITAL GMBH	28,536,000	8.00
STONE ROBERT ALEXANDER	21,250,000	5.96
SHI YI	9,239,000	2.59
DANIEL TAN POON KUAN	8,748,702	2.45
OCBC SECURITIES PRIVATE LTD	6,450,800	1.81
DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	5,606,000	1.57
KO WOON HONG	4,554,000	1.28
KIM SENG HOLDINGS PTE LTD	3,988,577	1.12
CHEN WENKUN	3,264,000	0.92
PEH KWEE YONG	2,950,000	0.83
PHILLIP SECURITIES PTE LTD	2,836,700	0.80
LIM TIONG KHENG STEVEN	2,334,000	0.65
LIU WENYING	2,313,000	0.65
DB NOMINEES (S) PTE LTD	2,010,000	0.56
CIMB SECURITIES (S'PORE) PTE LTD	1,943,000	0.54
YOONG WENG YIP	1,600,000	0.45
UOB KAY HIAN PTE LTD	1,561,900	0.44
CHUA YUE PENG	1,462,000	0.41
	319,369,499	**89.58**

SHAREHOLDERS' INFORMATION

AS AT 16 MARCH 2015

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders as per Register of Substantial Shareholders as at 16 March 2015

	Direct Interest	%	Deemed Interest	%
Spectacular Bright Corp.	152,438,956	42.75	–	–
Willalpha International Limited	56,282,864	15.79	–	–
Droege Capital GmbH	28,536,000	8.00	–	–
Robert Alexander Stone	17,920,000	5.03	–	–
Dr Johnny Liu Jiayan[1]	650,000	0.18	152,438,956	42.75
Liu Bin[2]	–	–	56,282,864	15.79
Droege International Group AG[3]	–	–	28,536,000	8.00
Droege Holding GmbH & Co. KG[4]	–	–	28,536,000	8.00
Walter P.J. Droege[5]	–	–	28,536,000	8.00

Notes:

1. By virtue of Dr Johnny Liu Jiayan's shareholding in Spectacular Bright Corp., he is deemed to be interested in the shares of the Company held by Spectacular Bright Corp.

2. By virtue of Mr Liu Bin's shareholding in Willalpha International Limited, he is deemed to be interested in the shares of the Company held by Willalpha International Limited.

3. By virtue of Droege International Group AG, being the sole shareholder of Droege Capital GmbH, it is deemed to be interested in the shares of the Company held by Droege Capital GmbH.

4. By virtue of Droege Holding GmbH & Co. KG, being the sole shareholder of Droege International Group AG which is the sole shreholder of Droege Capital GmbH, it is deemed to be interested in the shares of the Company held by Droege Capital GmbH.

5. By virtue of Mr Walter P.J. Droege's shareholding in Droege Holding GmbH & Co. KG, the sole shareholder of Droege International Group AG which is the sole shareholder of Droege Capital GmbH, he is deemed to be interested in the shares of the Company held by Droege Capital GmbH.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on the information made available to the Company as at 16 March 2015, approximately 23.8% were held in the hands of the public. Under Rule 723 of the Listing Manual of the SGX-ST, a listed issuer must ensure that at least 10% of its listed securities are at all times held by the public.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Dutech Holdings Limited ("the Company") will be held at Suntec Singapore Convention & Exhibition Centre, Room 311, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Tuesday, 28 April 2015 at 10.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2014 together with the Auditors' Report thereon.

   (Resolution 1)

2. To re-elect the following Directors of the Company retiring pursuant to Article 107 of the Articles of Association of the Company:

   Dr Johnny Liu Jiayan [See Explanatory Note (i)] **(Resolution 2)**

   Mr Liu Bin [See Explanatory Note (ii)] **(Resolution 3)**

3. To re-elect Dr Hedda Juliana im Brahm-Droege, a Director of the Company retiring pursuant to Article 117 of the Articles of Association of the Company. [See Explanatory Note (iii)]

   (Resolution 4)

4. To re-appoint Mr Tang See Chim, a Director of the Company retiring under Section 153(6) of the Companies Act, Cap. 50. [See Explanatory Note (iv)] **(Resolution 5)**

5. To approve the payment of Directors' fees of S$360,000 for the year ending 31 December 2015 to be paid quarterly in arrears.

   (Resolution 6)

6. To re-appoint Crowe Horwath First Trust LLP as the Auditor of the Company and to authorise the Directors of the Company to fix their remuneration.

   (Resolution 7)

7. 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:

8. **Authority to issue shares**
   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

NOTICE OF
ANNUAL GENERAL MEETING

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association 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 (v)] **(Resolution 8)**

9. **Authority to grant awards and to issue shares pursuant to the Dutech Group Performance Share Plan**

That approval be and is hereby given to the Directors of the Company to grant awards in accordance with the provisions of the Dutech Group Performance Share Plan ("the Plan"), and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards granted under the Plan, provided always that the aggregate number of ordinary shares to be issued pursuant to the Plan shall not exceed fifteen per centum (15%) of the total number of issued shares in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (vi)] **(Resolution 9)**

By Order of the Board

Lim Ka Bee
Company Secretary
Singapore, 13 April 2015

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Detailed information on Dr Johnny Liu Jiayan can be found under the section entitled "Directors' Profile" in page 6 of the Annual Report.

(ii) Detailed information on Mr Liu Bin can be found under the section entitled "Directors' Profile" in page 6 of the Annual Report.

(iii) Dr Hedda Juliana im Brahm-Droege will, upon re-election as a Director of the Company, remain as a member of the Remuneration Committee and will be considered independent. Detailed information on Dr Hedda can be found under the section entitled "Directors' Profile" in page 7 of the Annual Report.

(iv) The effect of the Ordinary Resolution (5) proposed in item (4) above, is to re-appoint a director of the Company who is over 70 years of age and if passed, he will hold office until the next Annual General Meeting. Such re-appointment of a director will no longer be subject to shareholders' approval under Section 153(6) of the Companies Act, Cap. 50 as repealed when the Companies (Amendment) Act 2014 comes into force. The director will then be subject to retirement by rotation under the Company's Articles of Association.

Mr Tang See Chim will, upon re-appointment as a Director of the Company, remain as Chairman of the Audit Committee, member of the Remuneration Committee and the Nominating Committee and will be considered independent. Detailed information on Mr Tang can be found under the section entitled "Directors' Profile" in page 6 of the Annual Report.

(v) The Ordinary Resolution (8) in item (8) above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(vi) The Ordinary Resolution (9) in item (9) above, if passed, will empower the Directors of the Company, from the date of this Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the Dutech Group Performance Share Plan up to a number not exceeding in total fifteen per centum (15%) of the total number of issued shares in the capital of the Company from time to time.

Notes:

1. A member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. The instrument appointing a proxy must be deposited at the registered office of the Company at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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DUTECH HOLDINGS LIMITED

(Company Registration No. 200616359C)
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. For investors who have used their CPF monies to buy Dutech Holdings Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ____

of ____

being a member/members of Dutech Holdings Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Suntec Singapore Convention & Exhibition Centre, Room 311, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Tuesday, 28 April 2015 at 10.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

No.	Resolutions relating to:	No. of Votes For*	No. of Votes Against*
1	Directors' Report and Audited Accounts for the year ended 31 December 2014		
2	Re-election of Dr Johnny Liu Jiayan as a Director		
3	Re-election of Mr Liu Bin as a Director		
4	Re-election of Dr Hedda Juliana im Brahm-Droege as a Director		
5	Re-appointment of Mr Tang See Chim as a Director		
6	Approval of Directors' fees amounting to S$360,000 for the year ending 31 December 2015 to be paid quarterly in arrears		
7	Re-appointment of Crowe Horwath First Trust LLP as Auditor		
8	Authority to issue new shares		
9	Authority to issue shares pursuant to the Dutech Group Performance Share Plan		

* If you wish to exercise all your votes "For" or "Against", please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ________ day of ______________ 2015

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s) or,
Common Seal of Corporate Shareholder

* *Delete where inapplicable*

Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 not less than forty-eight (48) hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the notice of Annual General Meeting dated 13 April 2015.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr. Johnny Liu Jiayan
(Chairman and CEO)
Liu Bin
(Executive Vice Chairman)
Tang See Chim
(Lead Independent Director)
Graham Macdonald Bell
(Independent Director)
Chen Zhaohui, George
(Independent Director)
Dr. Hedda Juliana im Brahm-Droege
(Independent Director)
Christoph Hartmann
(Independent Director)

AUDIT COMMITTEE

Tang See Chim
(Chairman)
Graham Macdonald Bell
Chen Zhaohui, George
Christoph Hartmann

NOMINATING COMMITTEE

Graham Macdonald Bell
(Chairman)
Tang See Chim
Chen Zhaohui, George

REMUNERATION COMMITTEE

Chen Zhaohui, George
(Chairman)
Tang See Chim
Graham Macdonald Bell
Dr. Hedda Juliana im Brahm-Droege

COMPANY SECRETARY

Lim Ka Bee

COMPANY'S REGISTERED OFFICE

50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

COMPANY REGISTRATION NUMBER

200616359C

COMPANY'S PRINCIPAL PLACE OF BUSINESS

11G International Shipping &
Finance Centre
720 Pudong Avenue
Shanghai 200120 PRC
Tel: (86) 21 5036 8072
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GROUP'S PRINCIPAL PLACE OF BUSINESS

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Tongzhou District
Nantong Jiangsu 226300 PRC
Tel: (86) 513 8655 7000
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SHARE REGISTRAR

B.A.C.S Private Limited
63 Cantonment Road
Singapore 089758

AUDITORS

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8 Shenton Way
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PARTNER-IN-CHARGE

Alfred Cheong Keng Chuan
(Appointed with effect from financial year 2014)

PRINCIPAL BANK

Overseas-Chinese Banking Corporation Limited
China Construction Bank

Dutech Holdings Limited

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