



Shareholders Q&A

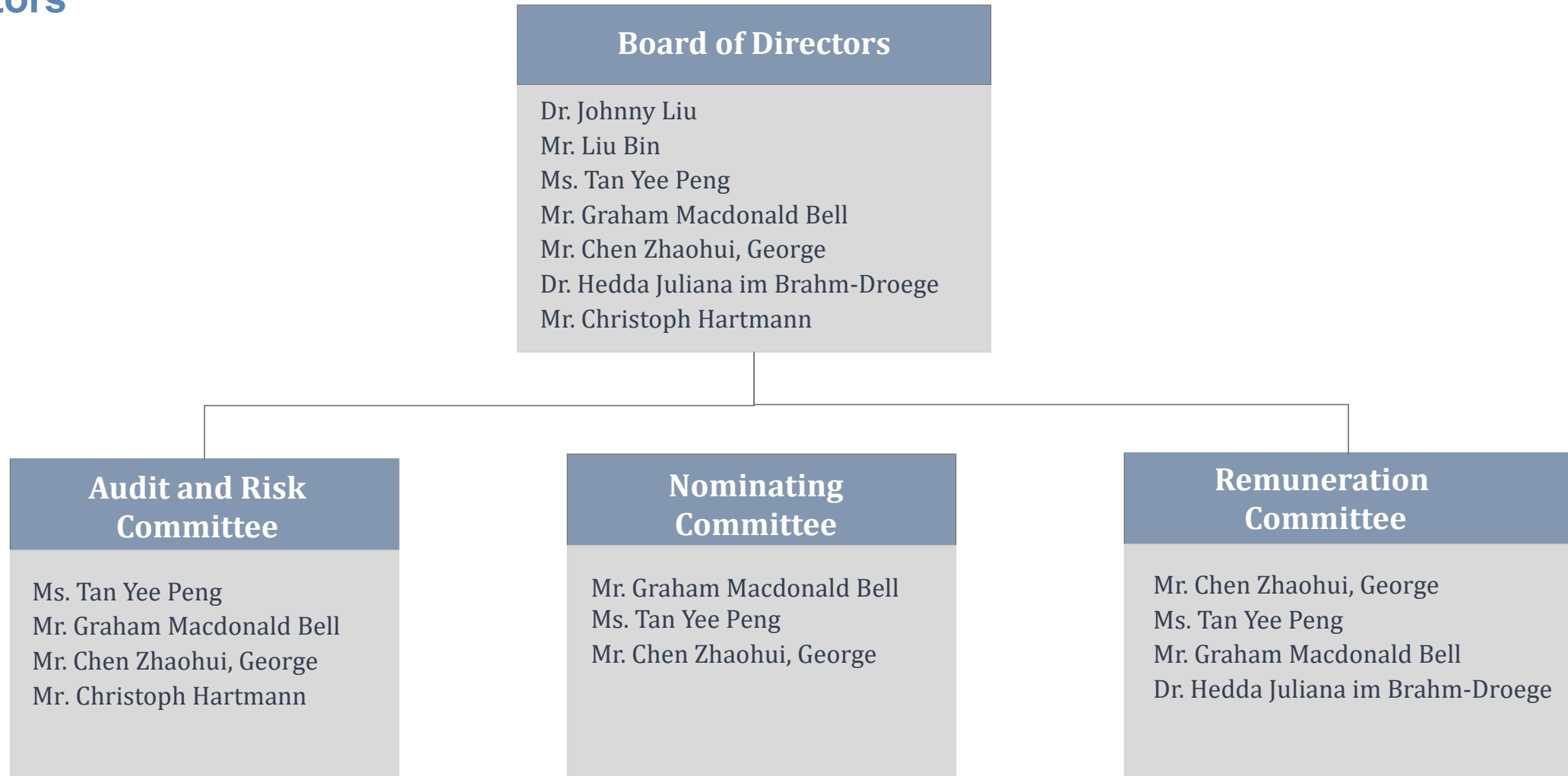
Annual General Meeting

Date: 28th April



Dutech Holdings Limited

- **Directors**



Group Introduction



Dutech Holdings Limited

• Customer Portfolio

The Group has a global market presence, comprising Europe, Asia Pacific, North America and South America.

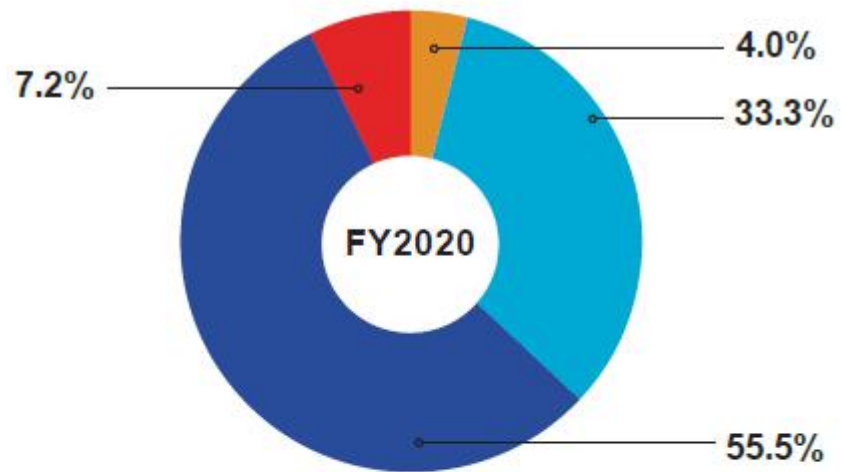
Our reputable customers include Diebold-Nixdorf, Liberty Safe & Security Products Inc., Tractor Supply Co., Glory Ltd., SGI, Deutsche Bahn, and Decathlon etc. Most of our customers are the industry front-runners.

We always collaborate closely and frequently with customers and ensure we provide quality services and products that address all needs of our customers.

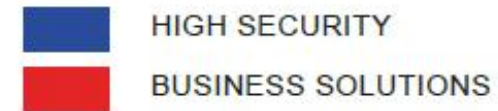
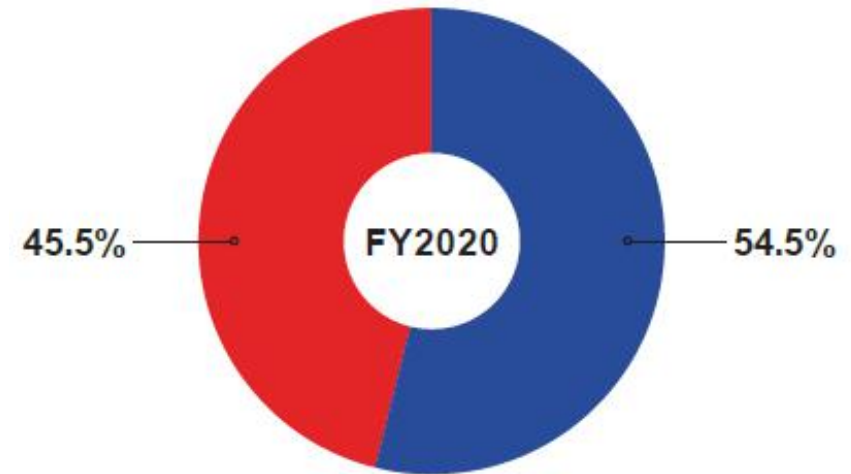


- Revenue

By Geographical Region



By Products

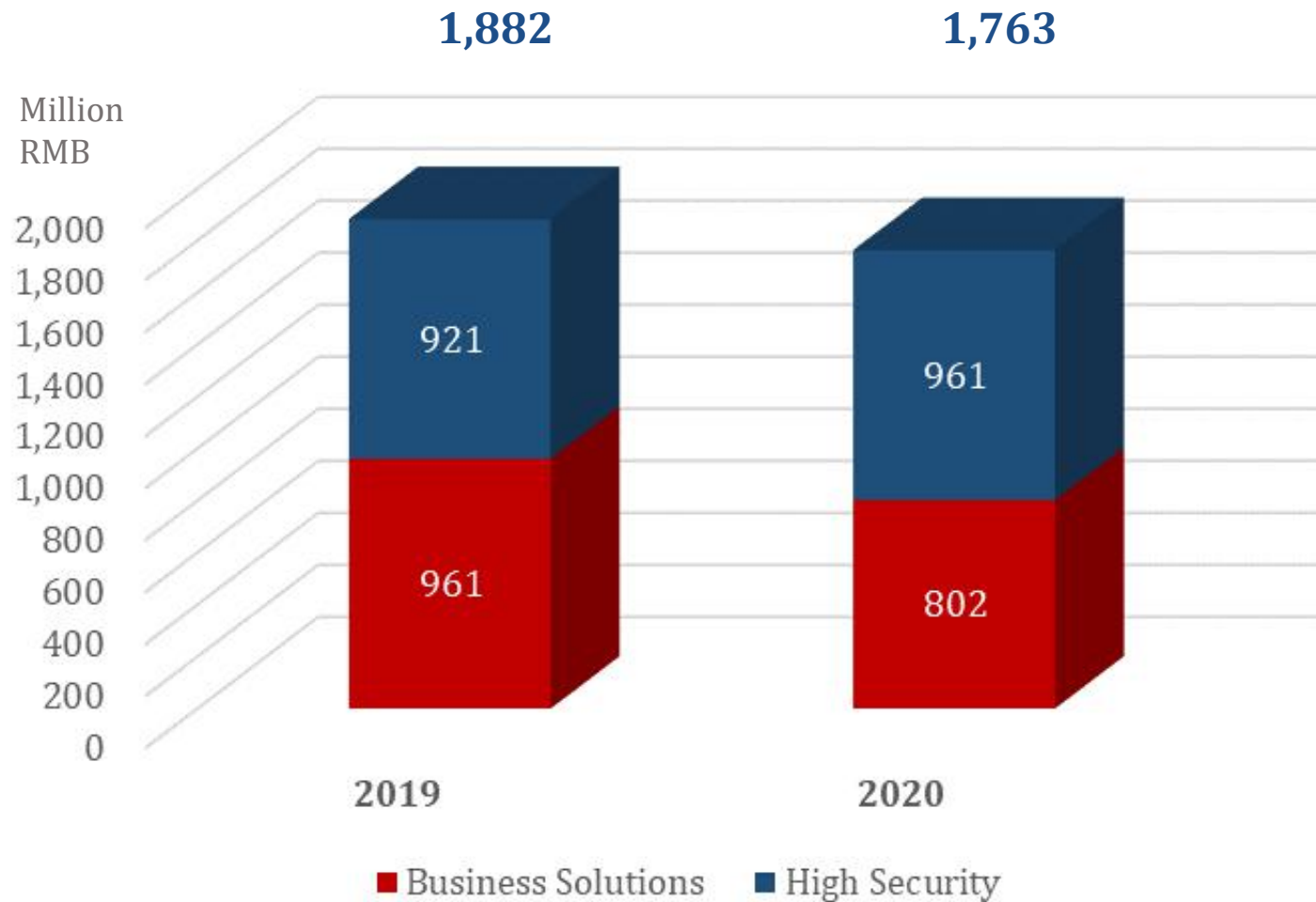


Group Introduction



Dutech Holdings Limited

- Revenue



Group Introduction



Dutech Holdings Limited

- **Business Solutions**



Group Introduction



Dutech Holdings Limited

- **Business Solutions**



Group Introduction



Dutech Holdings Limited

- **Business Solutions**



Group Introduction



Dutech Holdings Limited

- High Security



Group Introduction



Dutech Holdings Limited

- **High Security**



Group Introduction



Dutech Holdings Limited

- High Security



Q1

Share Buyback Mandate

- Why has the company not commence any share buybacks given the depressed share price of the company?

Answer :

The Board has given consideration to the liquidity of Dutech's shares, the use of cash for share buyback against other important investments and capital requirements and the need to maintain sufficient cash to meet its obligations especially during the pandemic. Having considered these, the Board did not execute any share buyback in Year 2020.

Q2

Business Performance

- Business Solutions segment revenue decreased by 16.5% while High Security Segment revenue increased by 4.3%. This is a change of trend from recent years. Is the Business Solutions segment still likely to be the best prospect for future growth of the company?

Answer :

Due to the outbreak of Covid-19 and consequent lockdowns in various European countries in 2020, demand for Business Solutions slowed down, but is expected to improve after the Covid-19.

Furthermore the Business Solutions segment turnover in 2019 contained a major one-time order from a German customer with a volume of RMB 148.7 Mio. If the revenue were adjusted by this fact, the Business Solution segment revenue would have decreased with 1.3%.

- Revenue growth at 22.6%, in the Americas was very strong. Is this just a temporary blip for the reasons stated or is it likely to be maintained in the foreseeable future?

Answer :

The increase is largely attributable to increase in sale of gun safes which rose in tandem with increase in sale of firearms in the US in 2020 as well as heightened awareness in safe storage of such firearms

Q3

Dividends

Background: On page 25 of AR 2020, it was mentioned that "The Board, having reviewed the cash flow position and contingent liability of the Group, did not recommend any payment of final dividend for FY2020. (Provision 11.6 of 2018 Code)". Based on my understanding from the Cash flow Statement and Balance Sheet in the AR 2020. the net cash from operating activities is at approximately RMB\$151 million and with a net cash position (As of 31 December there are RMB538 million in cash; \$122 million in short term borrowing; 48 million in long term borrowing). There's no information on the contingent liability reported in the Annual report.

Questions:

- Will the company increase its div to 2c per year?
- Why does the company not increase its dividend payout despite signifcant cash balance on its balance sheet?
- Can we understand the rationale for not recommending any payment of a final dividend for FY2020? What's the view of the board on the excess cash on the balance sheet?

Answer :

The Group strives to retain efficient capital structure to drive long-term growth and as part of value creation for our shareholders. The Company will continue to evaluate the situation based on global Covid-19 status in determining the dividend plan.

Q4

- The Metric business continues to shrink and was in a net liability position as of December 31st 2020. Does management believe this subsidiary is worth continuing to support and if so for how long?

Answer :

Metric Group has shown improvements before the pandemic but unfortunately, the business was adversely impacted with the economic slowdown. The assets of Metric Group have been significantly written down over the past few years, including in Year 2020. The Group is closely monitoring the cash flows of Metric Group and at present, no further financial support is considered necessary. Management will conduct a further review on the strategies of Metric Group and a recommendation will be made to the Board in due course.

- The onerous contracts the company has made provisions for – is there anything that can be learned and acted upon to prevent such situations occurring in the future?

Answer :

The COVID-19 pandemic has resulted in border closures and lockdowns in numerous countries, causing significant disruptions in global supply chain. The shipment cancellation was unfortunate but the Group believes that standing united alongside our customers in these trying times would go a long way in the relationship with our customers.

The Group remains prudent in the management of our business and will remain in close contact with our key customers and suppliers to better manage the entire supply chain.

Q5

Background: On page 88 of AR 2020, it was mentioned that "In May 2019, due to the restructuring of one of the Group's customers, the Group was awarded by court with ordinary shares in the customer with a fair value of RMB2,404,000 in exchange for the amount due to the Group. The customer is a US registered private company limited by shares, and the shares awarded represent a non-controlling interest in that customer. The Group made an irrevocable election to measure the investment at FVOCI. During the current financial year, the Group has written down the investment to Nil as the directors are of the view that the Group does not intend to execute its rights as a minority shareholder to receive any returns from the investment, neither is it able to identify an active market to realise the investment through disposal."

Questions: Would the board be able to share who this customer is? Why the directors are of the view that the group is unable to receive any returns from the investment?

Answer :

The customer referred to is "Fallbrook Technologies Inc", a company who filed for Chapter 11 re-organisation in the US. After the re-organisation, the size of Fallbrook has shrunk significantly. Having considered the liquidity of the shares and the financial performance of the Fallbrook, the directors are of the view that the fair value of these shares are insignificant and therefore, written down these investment to Nil.

Q6

Background: *It's noted at the group level, there's approximately RMB6.5 million due to a shareholder cum director (as shown on page 88 of the AR 2020). In FY 2019, there's RMB6.8 million due to a shareholder cum director. It was further mentioned that the "amount due to shareholder cum director represents undrawn dividend declared by the Company which remains unpaid at the date of this report".*

Questions: *Would the board be able to share who this shareholder is and why is there an undrawn dividend declared by the company?*

Answer :

This amount of dividend was paid to the Controlling Shareholder of Dutech, by cheque on 27 November, 2020. This cheque has not been drawn out in time due to the current international travel restriction. The cheque has since been cleared.

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

Questions: *Would the board share more details on where the majority of the cash and balance balances are deposited?*

Answer :

The Group's cash is held by various entities in Singapore, China and Germany to meet their own operating requirements.

Q7

Sustainability

Background: Based on the Sustainability Report 2020(“**SR 2020**”) – Energy Consumption in KG standard coal per RMB10,000 output rose 15.8% due to an increase in high security products.

Questions: Has the management considered or investigated installing solar systems on the roofs of the various production facilities where they have operations? Solar power is becoming cost competitive and the company has both the roof space for installations and the capital for the upfront costs. In some of the countries Dutech has facilities in it may prove to be a better return on capital than that currently provided by the primary business.

Answer :

We will evaluate these options for implementation at Dutech's facilities.



Thank you

Annual General Meeting

Date: 28th April



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