

UNAUDITED FINANCIAL STATEMENTS FOR THE 2ND QUARTER ENDED 30 June 2017

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

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

Group	2nd Quarter	2nd Quarter	Change	6 Months	6 Months	Change
	ended 30/06/2017	ended 30/06/2016		ended 30/06/2017	ended 30/06/2016	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	405,833	321,020	26.4	760,200	589,681	28.9
Cost of sales	(302,775)	(229,769)	31.8	(560,447)	(413,634)	35.5
Gross Profit	103,058	91,251	12.9	199,753	176,047	13.5
Selling and distribution expenses	(21,104)	(14,610)	44.4	(40,367)	(28,076)	43.8
Administrative expenses	(50,119)	(31,386)	59.7	(104,597)	(71,533)	46.2
Research and development expenses	(13,609)	(7,315)	86.0	(26,037)	(14,266)	82.5
Profit from Operations	18,226	37,940	(52.0)	28,752	62,172	(53.8)
Financial expenses, net	(1,876)	(1,078)	74.0	(3,903)	(1,252)	211.7
Share of profits from associates	167	35	377.1	207	109	89.9
Other income	6,297	7,687	(18.1)	11,855	10,103	17.3
Other expenses	(2,164)	(1,505)	43.8	(2,715)	(2,867)	(5.3)
Profit Before Tax	20,650	43,079	(52.1)	34,196	68,265	(49.9)
Income tax	(5,637)	(8,151)	(30.8)	(3,871)	(14,832)	(73.9)
Net Profit After Tax	15,013	34,928	(57.0)	30,325	53,433	(43.2)
Other Comprehensive Income						
<u>Items that may be reclassified subsequently to profit or loss:</u>						
Currency translation differences arising from consolidation	7,216	3,938	83.2	6,131	11,616	(47.2)
Changes in fair value of available-for-sale financial assets	(93)	130	n.m.	(10)	130	n.m.
Other Comprehensive Income for the period	7,123	4,068	75.1	6,121	11,746	(47.9)
Total Comprehensive Income for the period	22,136	38,996	(43.2)	36,446	65,179	(44.1)

n.m.: not meaningful.

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

(A) Other Income

	2nd Quarter ended		Change %	6 Months ended		Change %
	30/06/2017	30/06/2016		30/06/2017	30/06/2016	
	RMB'000	RMB'000		RMB'000	RMB'000	
Net of sales of raw materials	545	426	27.9	3,316	483	586.5
Sales of steel scrap	1,324	484	173.6	1,356	874	55.1
Amortisation of deferred income	251	331	(24.2)	582	662	(12.1)
Gain on bargain purchase arising from acquisition	-	-	-	-	2,547	(100.0)
Foreign exchange gain, net	3,023	5,020	(39.8)	3,791	3,305	14.7
Government grants	522	1,007	(48.2)	1,365	1,869	(27.0)
Reversal of long-term outstanding accrued purchases	332	-	n.m.	406	-	n.m.
Others-other income	300	419	(28.4)	1,039	363	186.2
	<u>6,297</u>	<u>7,687</u>	<u>(18.1)</u>	<u>11,855</u>	<u>10,103</u>	<u>17.3</u>

(B) Other Expenses

	2nd Quarter ended		Change %	6 Months ended		Change %
	30/06/2017	30/06/2016		30/06/2017	30/06/2016	
	RMB'000	RMB'000		RMB'000	RMB'000	
Amortisation of land use rights	(337)	(325)	3.7	(675)	(651)	3.7
Impairment loss on trade receivables	-	(1,112)	(100.0)	(39)	(1,912)	(98.0)
Loss on disposal of property, plant and equipment	(157)	21	n.m.	(260)	(90)	188.9
Fair value gain on derivative financial instruments	(1,276)	(88)	n.m.	(1,347)	(67)	n.m.
Others-other expense	(394)	(1)	n.m.	(394)	(147)	168.0
	<u>(2,164)</u>	<u>(1,505)</u>	<u>43.8</u>	<u>(2,715)</u>	<u>(2,867)</u>	<u>(5.3)</u>

(C) Financial Expenses, net

	2nd Quarter ended		Change %	6 Months ended		Change %
	30/06/2017	30/06/2016		30/06/2017	30/06/2016	
	RMB'000	RMB'000		RMB'000	RMB'000	
Interest income	881	248	255.2	1,276	716	78.2
Interest expenses	(2,123)	(1,326)	60.1	(3,926)	(1,968)	99.5
Net interest on net defined benefit liability	(634)	-	n.m.	(1,253)	-	n.m.
	<u>(1,876)</u>	<u>(1,078)</u>	<u>74.0</u>	<u>(3,903)</u>	<u>(1,252)</u>	<u>211.7</u>

(D) Depreciation and Amortisation

	2nd Quarter ended	2nd Quarter ended		6 Months ended	6 Months ended	
	30/06/2017	30/06/2016	Change	30/06/2017	30/06/2016	Change
	<u>RMB'000</u>	<u>RMB'000</u>	%	<u>RMB'000</u>	<u>RMB'000</u>	%
Depreciation on property, plant and equipment	6,692	6,502	2.9	13,646	11,459	19.1
Amortisation of land use rights	338	326	3.7	675	651	3.7
Amortisation of intangible assets	4,294	1,366	214.3	8,797	2,731	222.1
	<u>11,324</u>	<u>8,194</u>	<u>38.2</u>	<u>23,118</u>	<u>14,841</u>	<u>55.8</u>

For the 6 months ended 30 June 2017, the Group's depreciation expenses increased by 19.1% to RMB13.6 million over last corresponding period due to the addition of property, plant and equipment of Chinese subsidiaries and the acquisition of Metric.

For the 6 months ended 30 June 2017, the Group's amortisation of intangible assets increased by RMB6.1 million to RMB8.8 million over last corresponding period due to the acquisition of Metric.

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

	Group			Company		
	As At	As At	Change	As At	As At	Change
	30/06/2017	31/12/2016		30/06/2017	31/12/2016	
RMB'000	RMB'000	%	RMB'000	RMB'000	%	
	Unaudited	Audited		Unaudited	Audited	
Assets						
Non-current Assets						
Intangible assets	81,485	81,456	0.0	-	-	-
Investment in subsidiaries	-	-	-	47,485	48,625	(2.3)
Investment in associates	7,301	7,093	2.9	-	-	-
Land use rights	60,175	60,850	(1.1)	-	-	-
Property, plant and equipment	313,370	289,665	8.2	-	-	-
Held-to-maturity investments	-	6,268	(100.0)	-	-	-
Deferred tax assets	21,971	19,885	10.5	-	-	-
Total Non-current Assets	484,302	465,217	4.1	47,485	48,625	(2.3)
Current Assets						
Cash and bank balances	297,252	295,006	0.8	11,137	32,725	(66.0)
Held-to-maturity investments	6,113	3,561	71.7	-	-	-
Available-for-sale financial assets	17,180	10,596	62.1	-	-	-
Trade receivables	258,732	260,850	(0.8)	5,861	5,704	2.8
Advances to suppliers	47,807	35,053	36.4	-	1,126	(100.0)
Other receivables, deposits and prepayments	12,920	9,849	31.2	17	310	(94.5)
Due from subsidiaries (non-trade)	-	-	-	212,131	152,610	39.0
Derivative financial instruments	80	1,427	(94.4)	-	-	-
Inventories	393,756	274,299	43.5	-	-	-
Total Current Assets	1,033,840	890,641	16.1	229,146	192,475	19.1
Total Assets	1,518,142	1,355,858	12.0	276,631	241,100	14.7
Liabilities						
Current Liabilities						
Borrowings	181,781	106,872	70.1	-	-	-
Trade payables	158,068	110,355	43.2	2,426	2,816	(13.8)
Other payables and accruals	164,546	153,335	7.3	624	1,363	(54.2)
Due to a related party (trade)	242	242	-	-	-	-
Provision for income tax	7,564	9,566	(20.9)	1,849	1,894	(2.4)
Due to subsidiaries	-	-	-	56,120	67,050	(16.3)
Total Current Liabilities	512,201	380,370	34.7	61,019	73,123	(16.6)
Non-current Liabilities						
Long-term borrowings	30,692	16,859	82.1	-	-	-
Other payables	3,310	2,961	11.8	-	-	-
Pension liability	79,011	76,423	3.4	-	-	-
Deferred income	12,632	13,214	(4.4)	-	-	-
Deferred tax liabilities	35,396	40,139	(11.8)	-	-	-
Total Non-current Liabilities	161,041	149,596	7.7	-	-	-
Total Liabilities	673,242	529,966	27.0	61,019	73,123	(16.6)
Net Assets	844,900	825,892	2.3	215,612	167,977	28.4
Equity						
Capital and reserves attributable to the equity holders of the Company						
Share capital	154,623	154,623	-	154,623	154,623	-
Capital reserve	33,056	33,056	-	-	-	-
Revenue reserve	590,767	577,880	2.2	54,953	2,364	n.m.
Statutory reserve	60,639	60,639	-	-	-	-
Translation reserve	18,718	12,587	48.7	6,036	10,990	(45.1)
Fair value reserve	126	136	(7.4)	-	-	-
Merger deficit	(13,029)	(13,029)	-	-	-	-
Total Equity	844,900	825,892	2.3	215,612	167,977	28.4

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

	Group		Group	
	As at 30 June 2017		As at 31 December 2016	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings				
Amount repayable in one year	96,781	85,000	56,872	50,000
Amount repayable above one year	30,692	-	16,859	-
Total	127,473	85,000	73,731	50,000

Details of any collateral

As at 30 June, borrowings comprised:

- (1) A mortgage loan of USD0.5 million (equivalent to RMB3.4 million) was obtained by a USA subsidiary of the Company from East West Bank to finance the acquisition of a warehouse in USA. The Company provided corporate guarantee for the loan.
- (2) A loan of EUR0.5 million (equivalent to RMB3.8 million) was obtained by Format Tresorbau GmbH & Co. KG to finance the purchase of machine. The loan was secured by the machine itself.
- (3) A loan of EUR2.0 million (equivalent to RMB15.5 million) was obtained by Format Tresorbau GmbH & Co. KG to finance the construction of warehouse. The Company provided corporate guarantee for the loan.
- (4) A loan of EUR3.2 million (equivalent to RMB25.1 million) was obtained from HSBC Bank by Deutsche Mechatronics GmbH ("DTMT") to finance the working capital. The Company provided corporate guarantee for the loan.
- (5) DTMT has an outstanding loan of EUR3.4 million (equivalent to RMB26.1 million), secured by the land of DTMT from a German commercial bank. In addition, DTMT has outstanding finance leases for its equipment of EUR0.3 million (equivalent to RMB2.4 million).
- (6) Krauth Technology GmbH ("Krauth") has an outstanding loan of EUR0.9 million (equivalent to RMB7.1 million) to finance the acquisition of freehold land and building. In addition, Krauth has outstanding finance leases for its equipment of EUR0.2 million (equivalent to RMB1.8 million).
- (7) Krauth Technology GmbH ("Krauth") has an outstanding loan of EUR3.4 million (equivalent to RMB26.3 million) to finance the working capital. The Company provided corporate guarantee and pledged bank balance for the loan.
- (8) Metric Group Limited has an outstanding loan of GBP1.6 million (equivalent to RMB13.7 million) to finance the working capital. The Company provided pledged bank balance for the loan. In addition, it has an outstanding finance leases for its equipment of GBP0.2 million (equivalent to RMB2.2 million).
- (9) The Group's sales are mainly transacted in USD, while the major purchases are transacted in RMB. For the purpose of operating activities, a loan of RMB85.0 million was obtained by a PRC subsidiary of the Company from Bank of China to finance the daily payment to suppliers.

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

GROUP CASH FLOW STATEMENT

	2nd Quarter ended 30/06/2017 RMB'000	2nd Quarter ended 30/06/2016 RMB'000	6 Months ended 30/06/2017 RMB'000	6 Months ended 30/06/2016 RMB'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Profit before tax	20,650	43,079	34,196	68,265
Adjustments:				
Amortisation of land use rights	338	326	675	651
Amortisation of intangible assets	4,294	1,366	8,797	2,731
Amortisation of deferred government grant	(251)	(1,538)	(582)	(1,869)
Depreciation of property, plant and equipment	6,692	6,502	13,646	11,459
Fair value loss on derivative financial instruments	1,276	88	1,347	67
Loss/(gain) on disposal of property, plant and equipment	156	(21)	260	90
Interest expenses	2,123	1,326	3,926	1,968
Interest income	(881)	(248)	(1,276)	(716)
Share of profits from associate	(167)	(35)	(207)	(109)
Bargain purchase arising from the acquisition of subsidiaries	-	-	-	(2,547)
Operating profit before working capital changes	34,230	50,845	60,782	79,990
Trade receivables	(45,117)	(6,430)	3,473	40,716
Other receivables, deposits and prepayments	(2,273)	671	(2,975)	2,537
Advances to suppliers	4,728	(16,854)	(12,626)	(25,197)
Trade payables	24,030	1,063	47,099	17,208
Other payables and accruals	28,004	16,048	9,252	(523)
Due from related party (trade)	992	143	-	-
Due to a related party (trade)	-	885	-	456
Inventories	(55,353)	(6,669)	(117,237)	(36,695)
Cash generated from operations	(10,759)	39,702	(12,232)	78,492
Income tax paid	(4,818)	(7,454)	(12,295)	(13,076)
Net cash (used in)/from operating activities	(15,577)	32,248	(24,527)	65,416
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Purchase of property, plant and equipment	(11,347)	(2,987)	(27,355)	(12,004)
Addition of Intangible assets	(3,031)	-	(5,867)	(1,795)
Interest received	881	231	1,276	716
Government grants received	-	1,262	-	1,262
Net cash outflow on acquisition of subsidiaries	-	-	-	(15,561)
Proceeds from disposal of held-to-maturity investments	3,716	-	3,716	-
Purchase of available-for-sale financial assets	(6,594)	(3,694)	(6,594)	(3,694)
Net cash used in investing activities	(16,375)	(5,188)	(34,824)	(31,076)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>				
Dividend paid	(17,438)	(17,555)	(17,438)	(17,555)
Proceeds from bank borrowings	32,870	(364)	88,807	49,976
Repayment of loans	(2,338)	(10,020)	(4,728)	(20,138)
Interest paid	(2,123)	(1,358)	(3,926)	(1,968)
Withdrawals/(Deposit) for bank guarantee	18	-	(20,987)	(7,218)
Net cash from/(used in) financing activities	10,989	(29,297)	41,728	3,097
Net (decrease)/increase in cash and cash equivalents	(20,963)	(2,237)	(17,623)	37,437
Effects of exchange rate changes in cash and cash equivalents	56	6,579	(1,118)	8,586
Cash and cash equivalents at beginning of the period	272,171	281,893	270,005	240,212
Cash and cash equivalents at end of the period	251,264	286,235	251,264	286,235
Note:				
For the purpose of the consolidated statement of cash flows, the consolidated cash and cash equivalents comprised:				
-Cash at bank and in hand	726	339	726	339
-Fixed deposits with banks	296,526	293,346	296,526	293,346
	297,252	293,685	297,252	293,685
Less: Pledged deposit	(45,988)	(7,450)	(45,988)	(7,450)
Cash and cash equivalents per consolidated statement of cash flows	251,264	286,235	251,264	286,235

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

	Group							Total equity RMB'000
	Share capital	Statutory reserve	Merger deficit	Capital reserve	Revenue reserve	Translation reserve	Fair value reserve	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2017	154,623	60,639	(13,029)	33,056	577,880	12,587	136	825,892
Profit for the year	-	-	-	-	30,325	-	-	30,325
Dividends	-	-	-	-	(17,438)	-	-	(17,438)
Other comprehensive gain, net of tax	-	-	-	-	-	6,131	(10)	6,121
Balance at 30 June 2017	154,623	60,639	(13,029)	33,056	590,767	18,718	126	844,900

	Group							Total equity RMB'000
	Share capital	Statutory reserve	Merger deficit	Capital reserve	Revenue reserve	Translation (deficit)/reserve	Fair value reserve	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2016	168,067	56,221	(13,029)	33,056	473,335	(23,873)	6	693,783
Effect of change in functional currency	(13,444)	-	-	-	(5,845)	19,289	-	-
	154,623	56,221	(13,029)	33,056	467,490	(4,584)	6	693,783
Profit for the year	-	-	-	-	53,433	11,616	-	65,049
Dividends	-	-	-	-	(17,555)	-	-	(17,555)
Other comprehensive gain, net of tax	-	-	-	-	-	-	130	130
Balance at 30 June 2016	154,623	56,221	(13,029)	33,056	503,368	7,032	136	741,407

	Company			
	Share capital	Revenue reserve	Translation reserve	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2017	154,623	2,364	10,990	167,977
Total comprehensive income for the period	-	70,027	(4,954)	65,073
Dividends	-	(17,438)	-	(17,438)
Balance at 30 June 2017	154,623	54,953	6,036	215,612

	Company			
	Share capital	Revenue reserve	Translation deficit	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2016	168,067	15,222	(13,763)	169,526
Effect of change in functional currency	(13,444)	(872)	14,316	-
	154,623	14,350	553	169,526
Total comprehensive income for the period	-	6,133	11,108	17,241
Dividends	-	(17,555)	-	(17,555)
Balance at 30 June 2016	154,623	2,928	11,661	169,212

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

There have been no changes in the Company's share capital during the 6 months ended 30 June 2017.

The Company did not hold any treasury shares and subsidiary holdings as at 30 June 2017 or as at 31 December 2016 respectively.

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

The Company's total number of issued shares was 356,536,000 as at 30 June 2017 and as at 31 December 2016, respectively.

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

Not applicable.

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

Not applicable.

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

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

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

Not applicable.

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

There are certain new Financial Reporting Standards ("FRS") that are published and mandatory for accounting periods beginning on or after 1 January 2017. The adoption of these FRS where applicable did not have any material impact on the financial statements for the 6 months ended 30 June 2017. Apart from this, the same accounting policies and methods of computation have been consistently applied.

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

Not applicable.

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

	Group			
	2nd Quarter ended	2nd Quarter ended	6 Months ended	6 Months ended
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
<u>Earnings per ordinary share of the group</u>				
<u>(in RMB cents):</u>				
(a) Based on weighted average number of ordinary shares on issue; and	4.21	9.80	8.51	14.99
Weighted average number of ordinary shares for basic earnings per share computation ('000)	356,536	356,536	356,536	356,536
(b) On a fully diluted basis	4.21	9.80	8.51	14.99
Weighted average number of ordinary shares adjusted for the effect for dilution ('000)	356,536	356,536	356,536	356,536

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

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

	Group		Company	
	As at	As at	As at	As at
	30/06/2017	31/12/2016	30/06/2017	31/12/2016
Net asset value per ordinary share based on issued share capital at the end of the respective periods (in RMB cents)	236.97	231.64	60.47	47.11
No. of ordinary shares used in computing net asset value ('000)	356,536	356,536	356,536	356,536

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the Group's business. The review must discuss any significant factors that affected the turnover, costs and earning of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period report on.**

OUR BUSINESS

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

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

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

(a) Profit statement of the Group

For the 6 months ended 30 June 2017:

Revenue

The Group achieved sales of RMB760.2 million, representing an increase of 28.9% or RMB170.5 million over last corresponding period.

Sales of the High Security Segment marginally increased by 1.4% or RMB5.0 million to RMB355.9 million over last corresponding period.

Sales of the Business Solutions Segment increased by 69.3% or RMB165.5 million to RMB404.3 million over last corresponding period due to the organic growth and the acquisition of Metric, which had sales of RMB152.0 million during the period.

Gross Profit

Gross profit of the Group increased by 13.5% or RMB23.7 million to RMB199.8 million.

Gross margin of the Group decreased from 29.9% in last corresponding period to 26.3%. Gross margin of the High Security Segment decreased from 34.3% to 27.8% mainly due to the price rise of raw materials. Gross margin of the Business Solutions Segment increased from 23.3% to 24.9% mainly due to the change of product mix.

Selling and Distribution Expenses

Selling and distribution expenses increased by 43.8%, or RMB12.3 million to RMB40.4 million mainly due to the increase in selling and distribution of Metric UK and Almex, which incurred RMB9.9 million selling and distribution expenses.

Selling and distribution expenses excluding Metric UK and Almex increased by RMB2.4 million was mainly due to the increase of freight fee.

Administrative Expenses

Administrative expenses increased by 46.2%, or RMB33.1 million to RMB104.6 million mainly due to the increase in salary and other administrative expenses of Metric UK and Almex, which incurred RMB32.1 million administrative expenses during the period.

Administrative expenses excluding Metric UK and Almex increased by RMB1.0 million mainly due to the increase in salary expenses of Krauth as the result of the headcount growth to meet its revenue boom.

Research and development expenses

Research and development expenses increased by RMB11.8 million to RMB26.0 million mainly due to the development of new products to meet global customer needs and the acquisition of Metric, which incurred RMB2.9 million research and development expenses during the period.

Financial Expenses

Financial expenses increased by RMB2.7 million to RMB3.9 million mainly due to the increase of the interest expenses.

Other Income

Other income increased by RMB1.8 million to RMB11.9 million mainly due to the increase of sales of raw materials and foreign exchange gain, partially offset by the decrease of gain on bargain purchase arising from acquisition.

Income Tax Expenses

Income tax expenses decreased by RMB11.0 million. It was mainly due to the decrease of profit before tax, deferred tax assets recognized from the unutilised tax losses and partial settlement of deferred tax liabilities generated from the differences between the carrying amount of property, plant and equipment and intangible assets and their tax bases.

Profit before Tax

Profit before tax was RMB34.2 million, representing a decrease of 49.9% or RMB34.2 million as compared to RMB68.3 million during last corresponding period.

Net profit after Tax

Profit after tax was RMB30.3 million, representing a decrease of 43.2% or RMB23.1 million as compared to RMB53.4 million during last corresponding period.

(a) Profit statement of the Group

For the 3 months ended 30 June 2017:

Revenue

The Group achieved sales of RMB405.8 million, representing an increase of 26.4% or RMB84.8 million over last corresponding period.

Sales of the High Security Segment marginally increased by 0.1% or RMB0.1 million to RMB196.8 million over last corresponding period.

Sales of the Business Solutions Segment increased by 68.1% or RMB84.7 million to RMB209.0 million over last corresponding period due to the organic growth and the acquisition of Metric, which had sales of RMB74.8 million during the period.

Gross Profit

Gross profit of the Group increased by 12.9% or RMB11.8 million to RMB103.1 million.

Gross margin of the Group decreased from 28.4% in last corresponding period to 25.4%. Gross margin of the High Security Segment decreased from 32.9% to 28.7% mainly due to the price rise of raw materials. Gross margin of the Business Solutions Segment increased from 21.4% to 22.3% mainly due to the change of product mix.

Selling and Distribution Expenses

Selling and distribution expenses increased by 44.4%, or RMB6.5 million to RMB21.1 million mainly due to the increase in selling and distribution expenses of Metric UK and Almex, which incurred RMB4.6 million selling and distribution expenses.

Selling and distribution expenses excluding Metric UK and Almex increased by RMB1.9 million was mainly due to the increase of freight fee.

Administrative Expenses

Administrative expenses increased by 59.7%, or RMB18.7 million to RMB50.1 million mainly due to the increase in salary and other administrative expenses of Metric UK and Almex, which incurred RMB14.8 million administrative expenses during the period.

Administrative expenses excluding Metric UK and Almex increased by RMB3.9 million mainly due to the increase in salary expenses of Krauth as the result of the headcount growth to meet its revenue increase.

Research and development expenses

Research and development expenses increased by RMB6.3 million to RMB13.6 million mainly due to the development of new products to meet global customer needs.

Financial Expenses

Financial expenses increased by RMB0.8 million to RMB1.9 million mainly due to the increase of the interest expenses.

Other Income

Other income decreased by RMB1.4 million to RMB6.3 million mainly due to the decrease of foreign exchange gain, partially offset by the increase of sales of steel scrap.

Other expenses

Other expenses increased by RMB0.7 million to RMB2.2 million mainly due to the increase of fair value gain on derivative financial instruments, partially offset by the decrease of impairment loss on trade receivables.

Income Tax Expenses

Income tax expenses decreased by 30.8%, or RMB2.5 million. It was mainly due to the decrease of profit before tax.

Profit before Tax

Profit before tax was RMB20.7 million, representing a decrease of 52.1% or RMB22.4 million as compared to RMB43.1 million during last corresponding period.

Net profit after Tax

Profit after tax was RMB15.0 million, representing a decrease of 57.0% or RMB19.9 million as compared to RMB34.9 million during last corresponding period.

(b) Statement of financial position of the Group

Non-current Assets

The Group's non-current assets increased by RMB19.1 million from RMB465.2 million as at 31 December 2016 to RMB484.3 million as at 30 June 2017 mainly due to the increase in property, plant and equipment and deferred tax assets, partially offset by the decrease in held-to-maturity investments.

Property, plant and equipment increased by RMB23.7 million from RMB289.7 million as at 31 December 2016 to RMB313.4 million as at 30 June 2017 mainly due to the addition of property, plant and equipment of its German and Chinese subsidiaries and appreciation of EURO against RMB.

Deferred tax assets increased by RMB2.1 million from RMB19.9 million as at 31 December 2016 to RMB22.0 million as at 30 June 2017 mainly due to the deferred tax recognised on unutilised tax losses which can be offset against the future profit.

Held-to-maturity investments decreased by RMB6.3 million due to investments of RMB6.3 million matured during one year were reclassified to current assets.

Current Assets

The Group's current assets increased by RMB143.2 million from RMB890.6 million as at 31 December 2016 to RMB1,033.8 million as at 30 June 2017 mainly due to the increase in cash and bank balances, held-to-maturity investments, available-for-sale financial assets, advances to suppliers, other receivables, deposits and prepayments and inventories, partially offset by the decrease in trade receivables.

Held-to-maturity investments increased by RMB2.6 million due to investments of RMB6.3 million matured during one year were reclassified to current assets and investments of RMB3.7 million disposed during the period.

Available-for-sale financial assets increased by RMB6.6 million mainly due to the fact that the Group invested in a bond fund issued by Credit Suisse AG during the period. The bond fund is classified as available-for-sale financial assets with the fair value of RMB6.8 million as at 30 June 2017.

Advances to suppliers increased by RMB12.7 million from RMB35.1 million as at 31 December 2016 to RMB47.8 million as at 30 June 2017 mainly due to the increase in advance payment for purchase of raw materials.

Other receivables, deposits and prepayments increased by RMB3.1 million from RMB9.8 million as at 31 December 2016 to RMB12.9 million as at 30 June 2017 mainly due to the appreciation of EURO and GBP against RMB and the increase of security deposit of Almex.

Inventories increased by RMB119.5 million from RMB274.3 million as at 31 December 2016 to RMB393.8 million as at 30 June 2017 mainly due to stock up in order to mitigate the impact of steel price rise and meet the needs of sales growth of German subsidiaries.

Trade receivables decreased by RMB2.1 million from RMB260.9 million as at 31 December 2016 to RMB258.7 million as at 30 June 2017 mainly due to the better collection.

Derivative financial instruments decreased by RMB1.3 million due to the fluctuation of the exchange rate of Chinese Yuan against USD during the period.

Current Liabilities

Current liabilities increased by RMB131.8 million from RMB380.4 million as at 31 December 2016 to RMB512.2 million as at 30 June 2017 mainly due to the increase in borrowings, trade payables and other payables and accruals, partially offset by the decrease in provision for income tax.

Borrowings increased by RMB74.9 million from RMB106.9 million as at 31 December 2016 to RMB181.8 million as at 30 June 2017 due to the additional loans obtained by subsidiaries during the period to finance the working capital of the Group.

Trade payables increased by RMB47.7 million from RMB110.4 million as at 31 December 2016 to RMB158.1 million as at 30 June 2017 mainly due to the increase in the purchase by its Chinese and German subsidiaries.

Other payables and accruals increased by RMB11.2 million from RMB153.3 million as at 31 December 2016 to RMB164.5 million as at 30 June 2017 mainly due to the increase of advance payment from customers.

Provision for income tax decreased by RMB2.0 million from RMB9.6 million as at 31 December 2016 to RMB7.6 million as at 30 June 2017 mainly due to the decrease in profit before tax of 2017 Q2 compared with 2016 Q4.

Non-current Liabilities

Non-current liabilities increased by RMB11.4 million from RMB149.6 million as at 31 December 2016 to RMB161.0 million as at 30 June 2017 mainly due to the increase in long-term borrowings and pension liability, and partially offset by the decrease in deferred tax liabilities.

Long-term borrowings increased by RMB13.8 million from RMB16.9 million as at 31 December 2016 to RMB30.7 million as at 30 June 2017 due to the additional loans obtained by subsidiaries during the period to finance the construction of the warehouse.

Pension liability increased by RMB2.6 million from RMB76.4 million as at 31 December 2016 to RMB79.0 million as at 30 June 2017 due to the appreciation of GBP against RMB.

Deferred tax liabilities decreased by RMB4.7 million from RMB40.1 million as at 31 December 2016 to RMB35.4 million as at 30 June 2017 mainly due to the partial settlement of deferred tax liabilities generated from the differences between the carrying amount of property, plant and equipment and intangible assets and their tax bases.

Shareholders' Equity

As a result of the Group's net profit generated during the period, the shareholders' equity was enhanced from RMB825.9 million as at 31 December 2016 to RMB844.9 million as at 30 June 2017.

(c) Cash Flow Statement of the Group

Net cash used in operating activities was RMB24.5 million for the 6 months ended 30 June 2017 mainly due to increase in advances to suppliers and inventories, partially offset by the operating profit before working capital changes, increase in trade payables and other payables and accruals. The increase in advances to suppliers and inventories was mainly due to the increase in advance payment for purchase of raw materials and stock up in order to mitigate the impact of steel price rise and meet the needs of sales growth.

Net cash used in investing activities was RMB34.8 million for the 6 months ended 30 June 2017 mainly due to purchase of property, plant and equipment, addition of intangible assets and purchase of available-for-sale financial assets, partially offset by the proceeds from disposal of held-to-maturity investments.

Net cash from financing activities was RMB41.7 million for the 6 months ended 30 June 2017 mainly due to proceeds from bank borrowings, partially offset by the repayment of dividend, short-term loans, interest paid and deposit for bank guarantee.

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

Not applicable.

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

Following the Group's profit warning on 20th July 2017, the management expects trading condition to remain challenging. Rising raw materials prices, lower margins in ATM sales and overhead challenges in newly acquired Almex will serve to significantly affect profits. Notwithstanding the above, management expects the Group to remain profitable.

The Group will continue its efforts in expanding new products lines to reduce the risk of shrinkage of ATM markets. Meanwhile we will also continue to focus on innovation and the development of new generation of TVM machines.

After acquiring Krauth, Metric UK and the purchase of certain assets of Metric AG, we will focus on the integration synergies in joint development of self-service terminals.

Management will focus on the restructuring and turnaround of Almex, which is currently in loss position and the loss is in the lower seven-digit Euro.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No dividend has been declared.

(b) Corresponding Period of the Immediately Preceding Financial Year

No dividend has been declared.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

13. Interested Person Transactions (“IPTs”)

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial period under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Nantong Mayway Products Corp.	Rental for land and buildings for Q2 2017: RMB1.0 million ¹	NIL

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

The Group has re-negotiated with Nantong Mayway Products Corp. and the two lease agreements was renewed for a period of 3 years commencing from 1 January 2016 with aggregate annual rental at RMB3.97 million.

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company confirms that it has procured undertakings from all its directors and executive offices in the format set out in Appendix 7H under Rule 720(1) of the Listing Manual.

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

On behalf of the Board of Directors of the Company, we confirm, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the 2nd quarter ended 30 June 2017 to be false or misleading in any material aspect.

On behalf of the Board of Directors,

Johnny Liu
Chairman & CEO

Liu Bin
Executive Director

BY ORDER OF THE BOARD

Johnny Liu
Chairman & CEO
10 August 2017