

## UNAUDITED FINANCIAL STATEMENTS FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2017

## PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF 3RD 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  | 3rd Quarter<br>ended  | 3rd Quarter<br>ended  | Change<br>%   | 9 Months<br>ended     | 9 Months<br>ended     | Change<br>%   |
|--|-----------------------|-----------------------|---------------|-----------------------|-----------------------|---------------|
|  | 30/09/2017<br>RMB'000 | 30/09/2016<br>RMB'000 |               | 30/09/2017<br>RMB'000 | 30/09/2016<br>RMB'000 |               |
| Revenue  | 432,553               | 356,138               | 21.5          | 1,192,753             | 945,819               | 26.1          |
| Cost of sales  | (312,401)             | (233,639)             | 33.7          | (872,848)             | (647,273)             | 34.9          |
| <b>Gross Profit</b>  | <b>120,152</b>        | <b>122,499</b>        | <b>(1.9)</b>  | <b>319,905</b>        | <b>298,546</b>        | <b>7.2</b>    |
| Selling and distribution expenses                            | (19,218)              | (12,119)              | 58.6          | (59,585)              | (40,195)              | 48.2          |
| Administrative expenses                                      | (54,479)              | (40,712)              | 33.8          | (159,076)             | (112,245)             | 41.7          |
| Research and development expenses                            | (15,021)              | (7,945)               | 89.1          | (41,058)              | (22,211)              | 84.9          |
| <b>Profit from Operations</b>                                | <b>31,434</b>         | <b>61,723</b>         | <b>(49.1)</b> | <b>60,186</b>         | <b>123,895</b>        | <b>(51.4)</b> |
| Financial expenses, net                                      | (2,615)               | (969)                 | 169.9         | (6,518)               | (2,221)               | 193.5         |
| Share of profits from associates                             | 353                   | 356                   | (0.8)         | 560                   | 465                   | 20.4          |
| Other income   | 7,053                 | 3,516                 | 100.6         | 15,118                | 13,653                | 10.7          |
| Other expenses   | (5,417)               | (1,058)               | 412.0         | (4,342)               | (3,959)               | 9.7           |
| <b>Profit Before Tax</b>                                     | <b>30,808</b>         | <b>63,568</b>         | <b>(51.5)</b> | <b>65,004</b>         | <b>131,833</b>        | <b>(50.7)</b> |
| Income tax   | (5,241)               | (11,726)              | (55.3)        | (9,112)               | (26,558)              | (65.7)        |
| <b>Net Profit After Tax</b>                                  | <b>25,567</b>         | <b>51,842</b>         | <b>(50.7)</b> | <b>55,892</b>         | <b>105,275</b>        | <b>(46.9)</b> |
| <b>Other Comprehensive Income/(loss)</b>                     |                       |                       |               |                       |                       |               |
| <u>Items that may be reclassified</u>                        |                       |                       |               |                       |                       |               |
| <u>subsequently to profit or loss:</u>                       |                       |                       |               |                       |                       |               |
| Currency translation differences arising from consolidation  | (592)                 | 2,237                 | n.m.          | 5,539                 | 13,853                | (60.0)        |
| Changes in fair value of available-for-sale financial assets | 124                   | 389                   | (68.1)        | 114                   | 389                   | (70.7)        |
| Other Comprehensive Income/(Loss) for the period             | (468)                 | 2,626                 | n.m.          | 5,653                 | 14,242                | (60.3)        |
| <b>Total Comprehensive Income for the period</b>             | <b>25,099</b>         | <b>54,468</b>         | <b>(53.9)</b> | <b>61,545</b>         | <b>119,517</b>        | <b>(48.5)</b> |

n.m.: not meaningful.

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

**(A) Other Income**

|   | 3rd Quarter<br>ended<br>30/09/2017 | 3rd Quarter<br>ended<br>30/09/2016 | Change       | 9 Months<br>ended<br>30/09/2017 | 9 Months<br>ended<br>30/09/2016 | Change      |
|---|------------------------------------|------------------------------------|--------------|---------------------------------|---------------------------------|-------------|
|   | RMB'000                            | RMB'000                            | %            | RMB'000                         | RMB'000                         | %           |
| Net of sales of raw materials                       | 3,183                              | 156                                | n.m.         | 6,499                           | 639                             | n.m.        |
| Sales of steel scrap                                | 853                                | 533                                | 60.0         | 2,209                           | 1,407                           | 57.0        |
| Amortisation of deferred income                     | 91                                 | 331                                | (72.5)       | 673                             | 993                             | (32.2)      |
| Gain on bargain purchase arising from acquisition   | -                                  | -                                  | -            | -                               | 2,547                           | (100.0)     |
| Foreign exchange gain, net                          | -                                  | 2,247                              | (100.0)      | -                               | 5,552                           | (100.0)     |
| Government grants                                   | 2,260                              | -                                  | n.m.         | 3,625                           | 1,827                           | 98.4        |
| Reversal of long-term outstanding accrued purchases | 99                                 | -                                  | n.m.         | 505                             | -                               | n.m.        |
| Others  | 567                                | 249                                | 127.7        | 1,607                           | 688                             | 133.6       |
|   | <u>7,053</u>                       | <u>3,516</u>                       | <u>100.6</u> | <u>15,118</u>                   | <u>13,653</u>                   | <u>10.7</u> |

**(B) Other Expenses**

|   | 3rd Quarter<br>ended<br>30/09/2017 | 3rd Quarter<br>ended<br>30/09/2016 | Change       | 9 Months<br>ended<br>30/09/2017 | 9 Months<br>ended<br>30/09/2016 | Change     |
|---|------------------------------------|------------------------------------|--------------|---------------------------------|---------------------------------|------------|
|   | RMB'000                            | RMB'000                            | %            | RMB'000                         | RMB'000                         | %          |
| Amortisation of land use rights                     | (337)                              | (325)                              | 3.7          | (1,012)                         | (976)                           | 3.7        |
| Impairment loss on trade receivables                | (6)                                | (149)                              | (96.0)       | (46)                            | (2,061)                         | (97.8)     |
| Loss on disposal of property, plant and equipment   | (44)                               | (245)                              | (82.0)       | (304)                           | (336)                           | (9.5)      |
| Foreign exchange loss, net                          | (4,733)                            | -                                  | n.m.         | (942)                           | -                               | n.m.       |
| Fair value gain on derivative financial instruments | (136)                              | (83)                               | 63.9         | (1,483)                         | (151)                           | 882.1      |
| Others  | (161)                              | (256)                              | (37.1)       | (555)                           | (435)                           | 27.6       |
|   | <u>(5,417)</u>                     | <u>(1,058)</u>                     | <u>412.0</u> | <u>(4,342)</u>                  | <u>(3,959)</u>                  | <u>9.7</u> |

**(C) Financial Expenses, net**

|   | 3rd Quarter<br>ended<br>30/09/2017 | 3rd Quarter<br>ended<br>30/09/2016 | Change       | 9 Months<br>ended<br>30/09/2017 | 9 Months<br>ended<br>30/09/2016 | Change       |
|---|------------------------------------|------------------------------------|--------------|---------------------------------|---------------------------------|--------------|
|   | RMB'000                            | RMB'000                            | %            | RMB'000                         | RMB'000                         | %            |
| Interest income                               | 114                                | 726                                | (84.3)       | 1,390                           | 1,442                           | (3.6)        |
| Interest expenses                             | (2,100)                            | (1,695)                            | 23.9         | (6,026)                         | (3,663)                         | 64.5         |
| Net interest on net defined benefit liability | (629)                              | -                                  | n.m.         | (1,882)                         | -                               | n.m.         |
|   | <u>(2,615)</u>                     | <u>(969)</u>                       | <u>169.9</u> | <u>(6,518)</u>                  | <u>(2,221)</u>                  | <u>193.5</u> |

#### (D) Depreciation and Amortisation

|   | 3rd Quarter<br>ended<br>30/09/2017<br>RMB'000 | 3rd Quarter<br>ended<br>30/09/2016<br>RMB'000 | Change<br>% | 9 Months<br>ended<br>30/09/2017<br>RMB'000 | 9 Months<br>ended<br>30/09/2016<br>RMB'000 | Change<br>% |
|---|---|---|-------------|--|--|-------------|
| Depreciation on property, plant and equipment | 7,526   | 5,380   | 39.9        | 21,172                                     | 16,839                                     | 25.7        |
| Amortisation of land use rights               | 337   | 325   | 3.7         | 1,012                                      | 976  | 3.7         |
| Amortisation of intangible assets             | 4,046   | 1,979   | 104.4       | 12,843                                     | 4,710                                      | 172.7       |
|   | 11,909  | 7,684   | 55.0        | 35,027                                     | 22,525                                     | 55.5        |

For the 9 months ended 30 September 2017, the Group's depreciation expenses increased by 25.7% to RMB21.2 million over last corresponding period due to the addition of property, plant and equipment of Chinese subsidiaries and the consolidation of Metric UK and Almex since October 2016.

For the 9 months ended 30 September 2017, the Group's amortisation of intangible assets increased by RMB8.1 million to RMB12.8 million over last corresponding period due to the consolidation of Metric UK and Almex since October 2016.

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  |
|   | 30/09/2017       | 31/12/2016       |         | 30/09/2017     | 31/12/2016     |         |
| RMB'000   | RMB'000          | %                | RMB'000 | RMB'000        | %              |         |
|   | Unaudited        | Audited          |         | Unaudited      | Audited        |         |
| <b>Assets</b>   |                  |                  |         |                |                |         |
| <b>Non-current Assets</b>   |                  |                  |         |                |                |         |
| Intangible assets   | 81,196           | 81,456           | (0.3)   | -              | -              | -       |
| Investment in subsidiaries  | -                | -                | -       | 46,521         | 48,625         | (4.3)   |
| Investment in associates  | 8,216            | 7,093            | 15.8    | -              | -              | -       |
| Land use rights   | 59,837           | 60,850           | (1.7)   | -              | -              | -       |
| Property, plant and equipment   | 322,597          | 289,665          | 11.4    | -              | -              | -       |
| Held-to-maturity investments  | -                | 6,268            | (100.0) | -              | -              | -       |
| Deferred tax assets   | 22,038           | 19,885           | 10.8    | -              | -              | -       |
| <b>Total Non-current Assets</b>   | <b>493,884</b>   | <b>465,217</b>   | 6.2     | <b>46,521</b>  | <b>48,625</b>  | (4.3)   |
| <b>Current Assets</b>   |                  |                  |         |                |                |         |
| Cash and bank balances  | 271,427          | 295,006          | (8.0)   | 11,467         | 32,725         | (65.0)  |
| Held-to-maturity investments  | 5,985            | 3,561            | 68.1    | -              | -              | -       |
| Available-for-sale financial assets   | 16,952           | 10,596           | 60.0    | -              | -              | -       |
| Trade receivables   | 264,392          | 260,850          | 1.4     | 6,308          | 5,704          | 10.6    |
| Advances to suppliers   | 46,635           | 35,053           | 33.0    | -              | 1,126          | (100.0) |
| Other receivables, deposits and prepayments                                   | 9,065            | 9,849            | (8.0)   | -              | 310            | (100.0) |
| Due from subsidiaries (non-trade)   | -                | -                | -       | 218,616        | 152,610        | 43.3    |
| Derivative financial instruments  | -                | 1,427            | (100.0) | -              | -              | -       |
| Inventories   | 413,164          | 274,299          | 50.6    | -              | -              | -       |
| <b>Total Current Assets</b>   | <b>1,027,620</b> | <b>890,641</b>   | 15.4    | <b>236,391</b> | <b>192,475</b> | 22.8    |
| <b>Total Assets</b>   | <b>1,521,504</b> | <b>1,355,858</b> | 12.2    | <b>282,912</b> | <b>241,100</b> | 17.3    |
| <b>Liabilities</b>  |                  |                  |         |                |                |         |
| <b>Current Liabilities</b>  |                  |                  |         |                |                |         |
| Borrowings  | 193,061          | 106,872          | 80.6    | -              | -              | -       |
| Trade payables  | 135,316          | 110,355          | 22.6    | 2,625          | 2,816          | (6.8)   |
| Other payables and accruals   | 152,475          | 153,335          | (0.6)   | 918            | 1,363          | (32.6)  |
| Due to a related party (trade)  | 483              | 242              | 99.6    | -              | -              | -       |
| Derivative financial instruments  | 56               | -                | n.m.    | -              | -              | -       |
| Provision for income tax  | 7,225            | 9,566            | (24.5)  | 1,812          | 1,894          | (4.3)   |
| Due to subsidiaries   | -                | -                | -       | 59,714         | 67,050         | (10.9)  |
| <b>Total Current Liabilities</b>  | <b>488,616</b>   | <b>380,370</b>   | 28.5    | <b>65,069</b>  | <b>73,123</b>  | (11.0)  |
| <b>Non-current Liabilities</b>  |                  |                  |         |                |                |         |
| Long-term borrowings  | 30,097           | 16,859           | 78.5    | -              | -              | -       |
| Other payables  | 3,427            | 2,961            | 15.7    | -              | -              | -       |
| Pension liability   | 79,926           | 76,423           | 4.6     | -              | -              | -       |
| Deferred income   | 12,541           | 13,214           | (5.1)   | -              | -              | -       |
| Deferred tax liabilities  | 36,898           | 40,139           | (8.1)   | -              | -              | -       |
| <b>Total Non-current Liabilities</b>  | <b>162,889</b>   | <b>149,596</b>   | 8.9     | -              | -              | -       |
| <b>Total Liabilities</b>  | <b>651,505</b>   | <b>529,966</b>   | 22.9    | <b>65,069</b>  | <b>73,123</b>  | (11.0)  |
| <b>Net Assets</b>   | <b>869,999</b>   | <b>825,892</b>   | 5.3     | <b>217,843</b> | <b>167,977</b> | 29.7    |
| <b>Equity</b>   |                  |                  |         |                |                |         |
| <b>Capital and reserves attributable to the equity holders of the Company</b> |                  |                  |         |                |                |         |
| Share capital   | 154,623          | 154,623          | -       | 154,623        | 154,623        | -       |
| Capital reserve   | 33,056           | 33,056           | -       | -              | -              | -       |
| Revenue reserve   | 616,334          | 577,880          | 6.7     | 61,067         | 2,364          | n.m.    |
| Statutory reserve   | 60,639           | 60,639           | -       | -              | -              | -       |
| Translation reserve   | 18,126           | 12,587           | 44.0    | 2,153          | 10,990         | (80.4)  |
| Fair value reserve  | 250              | 136              | 83.8    | -              | -              | -       |
| Merger deficit  | (13,029)         | (13,029)         | -       | -              | -              | -       |
| <b>Total Equity</b>   | <b>869,999</b>   | <b>825,892</b>   | 5.3     | <b>217,843</b> | <b>167,977</b> | 29.7    |

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

|                                 | Group                   |           | Group                  |           |
|---------------------------------|-------------------------|-----------|------------------------|-----------|
|                                 | As at 30 September 2017 |           | As at 31 December 2016 |           |
|                                 | Secured                 | Unsecured | Secured                | Unsecured |
|                                 | RMB'000                 | RMB'000   | RMB'000                | RMB'000   |
| Borrowings                      |                         |           |                        |           |
| Amount repayable in one year    | 108,061                 | 85,000    | 56,872                 | 50,000    |
| Amount repayable above one year | 30,097                  | -         | 16,859                 | -         |
| Total                           | 138,158                 | 85,000    | 73,731                 | 50,000    |

**Details of any collateral**

As at 30 September, borrowings comprised:

- (1) A mortgage loan of USD0.5 million (equivalent to RMB3.1 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 RMB3.9 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 RMB15.6 million) was obtained by Format Tresorbau GmbH & Co. KG to finance the construction of warehouse. The Company provided corporate guarantee for the loan.
- (4) A loan of EUR3.6 million (equivalent to RMB28.0 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 EUR3.3 million (equivalent to RMB25.5 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 RMB6.8 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 RMB1.7 million).
- (7) Krauth Technology GmbH ("Krauth") has an outstanding loan of EUR4.5 million (equivalent to RMB35.2 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 RMB13.9 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 RMB2.0 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.**

| <b>GROUP CASH FLOW STATEMENT</b>   | 3rd Quarter<br>ended<br>30/09/2017<br>RMB'000 | 3rd Quarter<br>ended<br>30/09/2016<br>RMB'000 | 9 Months<br>ended<br>30/09/2017<br>RMB'000 | 9 Months<br>ended<br>30/09/2016<br>RMB'000 |
|--|---|---|--|--|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>   |   |   |  |  |
| Profit before tax  | 30,808  | 63,568  | 65,004                                     | 131,833                                    |
| Adjustments:   |   |   |  |  |
| Amortisation of land use rights  | 337   | 325   | 1,012                                      | 976  |
| Amortisation of intangible assets  | 4,046   | 1,979   | 12,843                                     | 4,710                                      |
| Amortisation of deferred government grant  | (91)  | 876   | (673)                                      | (993)                                      |
| Depreciation of property, plant and equipment  | 7,526   | 5,380   | 21,172                                     | 16,839                                     |
| Fair value loss on derivative financial instruments  | 136   | 83  | 1,483                                      | 151  |
| Loss on disposal of property, plant and equipment  | 44  | 245   | 304  | 336  |
| Settlement of forward contracts  | -   | 20  | -  | 104  |
| Interest expenses  | 2,100   | 1,695   | 6,026                                      | 3,663                                      |
| Interest income  | (114)   | (726)   | (1,390)                                    | (1,442)                                    |
| Share of profits from associate  | (353)   | (356)   | (560)                                      | (465)                                      |
| Bargain purchase arising from the acquisition of subsidiaries  | -   | -   | -  | (2,547)                                    |
| <b>Operating profit before working capital changes</b>   | <b>44,439</b>                                 | <b>73,089</b>                                 | <b>105,221</b>                             | <b>153,165</b>                             |
| Trade receivables  | (7,015)                                       | (31,891)                                      | (3,542)                                    | 8,825                                      |
| Other receivables, deposits and prepayments  | 4,147   | (4,564)                                       | 1,172                                      | (2,027)                                    |
| Advances to suppliers  | 2,129   | (1,937)                                       | (10,497)                                   | (27,134)                                   |
| Trade payables   | (25,480)                                      | 34,180  | 21,619                                     | 51,388                                     |
| Other payables and accruals  | (10,112)                                      | (2,184)                                       | (860)                                      | (1,531)                                    |
| Due to a related party (trade)   | -   | (495)   | -  | (39)                                       |
| Inventories  | (17,399)                                      | (39,558)                                      | (134,636)                                  | (76,253)                                   |
| <b>Cash (used in)/generated from operations</b>  | <b>(9,291)</b>                                | <b>26,640</b>                                 | <b>(21,523)</b>                            | <b>106,394</b>                             |
| Income tax paid  | (5,198)                                       | (6,138)                                       | (17,493)                                   | (19,214)                                   |
| <b>Net cash (used in)/from operating activities</b>  | <b>(14,489)</b>                               | <b>20,502</b>                                 | <b>(39,016)</b>                            | <b>87,180</b>                              |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>   |   |   |  |  |
| Purchase of property, plant and equipment  | (15,566)                                      | (4,132)                                       | (42,921)                                   | (16,136)                                   |
| Purchase of land use rights  | -   | (2,401)                                       | -  | (2,401)                                    |
| Addition of Intangible assets  | (2,926)                                       | (223)   | (8,793)                                    | (2,018)                                    |
| Interest received  | 114   | 726   | 1,390                                      | 1,442                                      |
| Settlement of forward contracts  | -   | (104)   | -  | (104)                                      |
| Net cash outflow on acquisition of subsidiaries  | -   | -   | -  | (15,561)                                   |
| Proceeds from disposal of held-to-maturity investments   | -   | -   | 3,716                                      | -  |
| Purchase of available-for-sale financial assets  | -   | -   | (6,594)                                    | (3,694)                                    |
| <b>Net cash used in investing activities</b>   | <b>(18,378)</b>                               | <b>(6,134)</b>                                | <b>(53,202)</b>                            | <b>(38,472)</b>                            |
| <b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>   |   |   |  |  |
| Dividend paid  | -   | -   | (17,438)                                   | (17,555)                                   |
| Proceeds from bank borrowings  | 8,466   | 16,323  | 97,273                                     | 66,299                                     |
| Repayment of loans   | (465)   | (537)   | (5,193)                                    | (20,675)                                   |
| Interest paid  | (2,100)                                       | (1,695)                                       | (6,026)                                    | (3,663)                                    |
| Deposit for bank guarantee   | (7,399)                                       | -   | (28,386)                                   | (7,218)                                    |
| <b>Net cash (used in)/from financing activities</b>  | <b>(1,498)</b>                                | <b>14,091</b>                                 | <b>40,230</b>                              | <b>17,188</b>                              |
| <b>Net (decrease)/increase in cash and cash equivalents</b>  | <b>(34,365)</b>                               | <b>28,459</b>                                 | <b>(51,988)</b>                            | <b>65,896</b>                              |
| Effects of exchange rate changes in cash and cash equivalents  | 1,141   | (1,238)                                       | 23   | 7,348                                      |
| Cash and cash equivalents at beginning of the period   | 251,264                                       | 286,235                                       | 270,005                                    | 240,212                                    |
| <b>Cash and cash equivalents at end of the period</b>  | <b>218,040</b>                                | <b>313,456</b>                                | <b>218,040</b>                             | <b>313,456</b>                             |
| <b>Note:</b>   |   |   |  |  |
| For the purpose of the consolidated statement of cash flows, the consolidated cash and cash equivalents comprised: |   |   |  |  |
| -Cash at bank and in hand  | 751   | 313   | 751  | 313  |
| -Fixed deposits with banks   | 270,676                                       | 320,593                                       | 270,676                                    | 320,593                                    |
|  | <b>271,427</b>                                | <b>320,906</b>                                | <b>271,427</b>                             | <b>320,906</b>                             |
| Less: Pledged deposit  | (53,387)                                      | (7,450)                                       | (53,387)                                   | (7,450)                                    |
| Cash and cash equivalents per consolidated statement of cash flows   | <b>218,040</b>                                | <b>313,456</b>                                | <b>218,040</b>                             | <b>313,456</b>                             |

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

|  | Group          |                   |                 |                 |                 |                     |                    | Total equity<br>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            |                         |
| <b>Balance at 1 January 2017</b>       | <b>154,623</b> | <b>60,639</b>     | <b>(13,029)</b> | <b>33,056</b>   | <b>577,880</b>  | <b>12,587</b>       | <b>136</b>         | <b>825,892</b>          |
| Profit for the period                  | -              | -                 | -               | -               | 55,892          | -                   | -                  | 55,892                  |
| Dividends                              | -              | -                 | -               | -               | (17,438)        | -                   | -                  | (17,438)                |
| Other comprehensive income, net of tax | -              | -                 | -               | -               | -               | 5,539               | 114                | 5,653                   |
| <b>Balance at 30 September 2017</b>    | <b>154,623</b> | <b>60,639</b>     | <b>(13,029)</b> | <b>33,056</b>   | <b>616,334</b>  | <b>18,126</b>       | <b>250</b>         | <b>869,999</b>          |

|   | Group          |                   |                 |                 |                 |                               |                    | Total equity<br>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            |                         |
| <b>Balance at 1 January 2016</b>        | <b>168,067</b> | <b>56,221</b>     | <b>(13,029)</b> | <b>33,056</b>   | <b>473,335</b>  | <b>(23,873)</b>               | <b>6</b>           | <b>693,783</b>          |
| Effect of change in functional currency | (13,444)       | -                 | -               | -               | (5,845)         | 19,289                        | -                  | -                       |
|   | <b>154,623</b> | <b>56,221</b>     | <b>(13,029)</b> | <b>33,056</b>   | <b>467,490</b>  | <b>(4,584)</b>                | <b>6</b>           | <b>693,783</b>          |
| Profit for the period                   | -              | -                 | -               | -               | 105,275         | 13,853                        | -                  | 119,128                 |
| Dividends                               | -              | -                 | -               | -               | (17,555)        | -                             | -                  | (17,555)                |
| Other comprehensive income, net of tax  | -              | -                 | -               | -               | -               | -                             | 389                | 389                     |
| <b>Balance at 30 September 2016</b>     | <b>154,623</b> | <b>56,221</b>     | <b>(13,029)</b> | <b>33,056</b>   | <b>555,210</b>  | <b>9,269</b>                  | <b>395</b>         | <b>795,745</b>          |

|   | Company        |                 |                     |                |
|---|----------------|-----------------|---------------------|----------------|
|   | Share capital  | Revenue reserve | Translation reserve | Total equity   |
|   | RMB'000        | RMB'000         | RMB'000             | RMB'000        |
| <b>Balance at 1 January 2017</b>          | <b>154,623</b> | <b>2,364</b>    | <b>10,990</b>       | <b>167,977</b> |
| Total comprehensive income for the period | -              | 76,141          | (8,837)             | 67,304         |
| Dividends                                 | -              | (17,438)        | -                   | (17,438)       |
| <b>Balance at 30 September 2017</b>       | <b>154,623</b> | <b>61,067</b>   | <b>2,153</b>        | <b>217,843</b> |

|   | Company        |                 |                               |                |
|---|----------------|-----------------|-------------------------------|----------------|
|   | Share capital  | Revenue reserve | Translation (deficit)/reserve | Total equity   |
|   | RMB'000        | RMB'000         | RMB'000                       | RMB'000        |
| <b>Balance at 1 January 2016</b>          | <b>168,067</b> | <b>15,222</b>   | <b>(13,763)</b>               | <b>169,526</b> |
| Effect of change in functional currency   | (13,444)       | (872)           | 14,316                        | -              |
|   | <b>154,623</b> | <b>14,350</b>   | <b>553</b>                    | <b>169,526</b> |
| Total comprehensive income for the period | -              | 8,339           | 9,888                         | 18,227         |
| Dividends                                 | -              | (17,555)        | -                             | (17,555)       |
| <b>Balance at 30 September 2016</b>       | <b>154,623</b> | <b>5,134</b>    | <b>10,441</b>                 | <b>170,198</b> |

- 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 9 months ended 30 September 2017.

The Company did not hold any treasury shares and subsidiary holdings as at 30 September 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 September 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 9 months ended 30 September 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             |                   |                |                |
|--|-------------------|-------------------|----------------|----------------|
|  | 3rd Quarter ended | 3rd Quarter ended | 9 Months ended | 9 Months ended |
|  | 30/09/2017        | 30/09/2016        | 30/09/2017     | 30/09/2016     |
| <b><u>Earnings per ordinary share of the group</u></b>                                     |                   |                   |                |                |
| <b><u>(in RMB cents):</u></b>  |                   |                   |                |                |
| (a) Based on weighted average number of ordinary shares on issue; and                      | 7.17              | 14.54             | 15.68          | 29.53          |
| 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   | 7.17              | 14.54             | 15.68          | 29.53          |
| 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      |
|  | 30/09/2017 | 31/12/2016 | 30/09/2017 | 31/12/2016 |
| Net asset value per ordinary share based on issued share capital at the end of the respective periods (in RMB cents) | 244.01     | 231.64     | 61.10      | 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 9 months ended 30 September 2017:

### **Revenue**

The Group achieved sales of RMB1,192.8 million, representing an increase of 26.1% or RMB246.9 million over last corresponding period.

Sales of the High Security Segment decreased by 3.7% or RMB21.7 million to RMB568.4 million over last corresponding period mainly due to the decrease of the sales of safe products.

Sales of the Business Solutions Segment increased by 75.5% or RMB268.7 million to RMB624.3 million over last corresponding period due to the organic growth and the inclusion of sales of Metric UK and Almex, which became subsidiaries of the Group in October 2016, amounting to RMB228.0 million.

### **Gross Profit**

Gross profit of the Group increased by 7.2% or RMB21.4 million to RMB319.9 million.

Gross margin of the Group decreased from 31.6% in last corresponding period to 26.8%. Gross margin of the High Security Segment decreased from 35.6% to 28.8% mainly due to the price rise of raw materials. Gross margin of the Business Solutions Segment marginally increased from 24.8% to 25.0%.

### **Selling and Distribution Expenses**

Selling and distribution expenses increased by 48.2%, or RMB19.4 million to RMB59.6 million mainly due to the inclusion of selling and distribution expenses of Metric UK and Almex, amounting to RMB15.1 million.

Selling and distribution expenses excluding Metric UK and Almex increased by RMB4.3 million was mainly due to the increase of freight fee.

### **Administrative Expenses**

Administrative expenses increased by 41.7%, or RMB46.8 million to RMB159.1 million mainly due to the inclusion of administrative expenses of Metric UK and Almex, amounting to RMB45.5 million.

Administrative expenses excluding Metric UK and Almex increased by RMB1.3 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 RMB18.8 million to RMB41.1 million mainly due to the development of new products to meet global customer needs and the inclusion of research and development expenses of Metric UK, amounting to RMB4.3 million.

### **Financial Expenses**

Financial expenses increased by RMB4.3 million to RMB6.5 million mainly due to the increase of the interest expenses.

### **Other Income**

Other income increased RMB1.5 million to RMB15.1 million mainly due to the increase of sales of raw materials, sales of steel scrap and government grants, partially offset by the decrease of gain on bargain purchase arising from acquisition and foreign exchange gain.

### **Income Tax Expenses**

Income tax expenses decreased by RMB17.4 million. It was mainly due to the decrease of profit before tax, deferred tax assets recognised from the unutilised tax losses and partial settlement of deferred tax liabilities arising 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 RMB65.0 million, representing a decrease of 50.7% or RMB66.8 million as compared to RMB131.8 million during last corresponding period.

### **Net profit after Tax**

Profit after tax was RMB55.9 million, representing a decrease of 46.9% or RMB49.4 million as compared to RMB105.3 million during last corresponding period.

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

For the 3 months ended 30 September 2017:

### **Revenue**

The Group achieved sales of RMB432.6 million, representing an increase of 21.5% or RMB76.4 million over last corresponding period.

Sales of the High Security Segment decreased by 11.2% or RMB26.8 million to RMB212.6 million over last corresponding period mainly due to the decrease of the sales of safe products.

Sales of the Business Solutions Segment increased by 88.3% or RMB103.2 million to RMB220.0 million over last corresponding period due to the organic growth and the inclusion of sales of Metric UK and Almex, amounting to RMB76.1 million.

### **Gross Profit**

Gross profit of the Group decreased by 1.9% or RMB2.3 million to RMB120.2 million.

Gross margin of the Group decreased from 34.4% in last corresponding period to 27.8%. Gross margin of the High Security Segment decreased from 37.6% to 30.6% mainly due to the price rise of raw materials. Gross margin of the Business Solutions Segment marginally decreased from 27.8% to 25.1%, mainly due to the change of product mix.

### **Selling and Distribution Expenses**

Selling and distribution expenses increased by 58.6%, or RMB7.1 million to RMB19.2 million mainly due to the inclusion of selling and distribution expenses of Metric UK and Almex, amounting to RMB5.3 million.

Selling and distribution expenses excluding Metric UK and Almex increased by RMB1.8 million was mainly due to the increase of freight fee.

### **Administrative Expenses**

Administrative expenses increased by 33.8%, or RMB13.8 million to RMB54.5 million mainly due to the inclusion of administrative expenses of Metric UK and Almex, amounting to RMB13.5 million.

Administrative expenses excluding Metric UK and Almex marginally increased by RMB0.3 million.

### **Research and development expenses**

Research and development expenses increased by RMB7.1 million to RMB15.0 million mainly due to the development of new products to meet global customer needs.

### **Financial Expenses**

Financial expenses increased by RMB1.6 million to RMB2.6 million mainly due to the increase of the interest expenses.

### **Other Income**

Other income increased by RMB3.5 million to RMB7.1 million mainly due to the increase of sales of raw materials and government grants, partially offset by decrease of foreign exchange gain.

### **Other expenses**

Other expenses increased by RMB4.4 million to RMB5.4 million mainly due to the increase of foreign exchange loss.

### **Income Tax Expenses**

Income tax expenses decreased by 55.3%, or RMB6.5 million. It was mainly due to the decrease of profit before tax.

### **Profit before Tax**

Profit before tax was RMB30.8 million, representing a decrease of 51.5% or RMB32.8 million as compared to RMB63.6 million during last corresponding period.

### **Net profit after Tax**

Profit after tax was RMB25.6 million, representing a decrease of 50.7% or RMB26.2 million as compared to RMB51.8 million during last corresponding period.

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

### **Non-current Assets**

The Group's non-current assets increased by RMB28.5 million from RMB465.2 million as at 31 December 2016 to RMB493.8 million as at 30 September 2017 mainly due to the increase in investment in associates, property, plant and equipment and deferred tax assets, partially offset by the decrease in land use rights and held-to-maturity investments.

Investment in associates increased by RMB1.1 million from RMB7.1 million as at 31 December 2016 to RMB8.2 million as at 30 September 2017 mainly due to the increase of the profit from associates.

Property, plant and equipment increased by RMB32.9 million from RMB289.7 million as at 31 December 2016 to RMB322.6 million as at 30 September 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 September 2017 mainly due to the deferred tax recognised on unutilised tax losses which can be offset against the future profit.

Land use rights decreased by RMB1.0 million from RMB60.8 million as at 31 December 2016 to RMB59.8 million as at 30 September 2017 mainly due to the amortization.

Held-to-maturity investments decreased by RMB6.3 million due to investments of RMB6.3 million to be matured within one year were reclassified to currents assets.

### **Current Assets**

The Group's current assets increased by RMB137.1 million from RMB890.6 million as at 31 December 2016 to RMB1,027.7 million as at 30 September 2017 mainly due to the increase in held-to-maturity investments, available-for-sale financial assets, trade receivables, advances to suppliers and inventories, partially offset by the decrease in cash and bank balances and derivative financial instruments.

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

Available-for-sale financial assets increased by RMB6.4 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 RMB6.6 million as at 30 September 2017.

Trade receivables increased by RMB3.5 million from RMB260.9 million as at 31 December 2016 to RMB264.4 million as at 30 September 2017 mainly due to the increase of sales.

Advances to suppliers increased by RMB11.5 million from RMB35.1 million as at 31 December 2016 to RMB46.6 million as at 30 September 2017 mainly due to the increase in advance payment for purchase of raw materials.

Inventories increased by RMB138.9 million from RMB274.3 million as at 31 December 2016 to RMB413.2 million as at 30 September 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.

Derivative financial instruments decreased by RMB1.4 million due to the fluctuation of the exchange rate of Chinese Yuan against USD during the period.

### **Current Liabilities**

Current liabilities increased by RMB108.2 million from RMB380.4 million as at 31 December 2016 to RMB488.6 million as at 30 September 2017 mainly due to the increase in borrowings and trade payables partially offset by the decrease in provision for income tax.

Borrowings increased by RMB86.2 million from RMB106.9 million as at 31 December 2016 to RMB193.1 million as at 30 September 2017 due to the additional loans obtained by subsidiaries during the period to finance the working capital of the Group.

Trade payables increased by RMB24.9 million from RMB110.4 million as at 31 December 2016 to RMB135.3 million as at 30 September 2017 mainly due to the increase in the purchase by its Chinese and German subsidiaries.

Provision for income tax decreased by RMB2.4 million from RMB9.6 million as at 31 December 2016 to RMB7.2 million as at 30 September 2017 mainly due to the decrease in profit before tax from profit-making companies of 2017 Q3 compared with 2016 Q4.

### **Non-current Liabilities**

Non-current liabilities increased by RMB13.3 million from RMB149.6 million as at 31 December 2016 to RMB162.9 million as at 30 September 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 RMB13.2 million from RMB16.9 million as at 31 December 2016 to RMB30.1 million as at 30 September 2017 due to the additional loans obtained by subsidiaries during the period to finance the construction of the warehouse.

Pension liability increased by RMB3.5 million from RMB76.4 million as at 31 December 2016 to RMB79.9 million as at 30 September 2017 due to the appreciation of GBP against RMB.

Deferred tax liabilities decreased by RMB3.2 million from RMB40.1 million as at 31 December 2016 to RMB36.9 million as at 30 September 2017 mainly due to the partial settlement of deferred tax liabilities arising 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 RMB870.0 million as at 30 September 2017.

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

Net cash used in operating activities was RMB39.0 million for the 9 months ended 30 September 2017 mainly due to increase in trade receivables, advances to suppliers and inventories, partially offset by the operating profit before working capital changes, increase in trade payables. 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 RMB53.6 million for the 9 months ended 30 September 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 RMB40.6 million for the 9 months ended 30 September 2017 mainly due to proceeds from bank borrowings, partially offset by the payment of dividend, repayment of 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 20<sup>th</sup> 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 Ticketing and Vending 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 a loss position.

**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 Q3 2017: RMB1.0 million   | NIL  |

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

The Group has re-negotiated with Nantong Mayway Products Corp. and the two lease agreements was renewed for a period of 3 years commencing from 1 January 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 September 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  
9 November 2017