DUTECH HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
Registration No. 200616359C

RESPONSE TO QUERIES RAISED BY SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE UNAUDITED FINANCIAL STATEMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018

The board of directors (the "**Board**") of Dutech Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") refers to the Company's Unaudited Financial Statements for the fourth quarter and financial year ended 31 December 2018 released on 28 February 2019 and wishes to respond to the queries raised by Singapore Exchange Securities Trading Limited ("**SGX-ST**") as follows:

SGX-ST's Query 1:

With regard to page 2 of the Financial Statement:-

(i) Please let us have the Board's assessment as to whether the impairment loss on trade receivables is sufficient. In addition, please set out the Company's efforts to recover the trade receivables and whether the Company continues to trade with these debtors; and

(ii) Please explain the basis and nature of the impairment loss on intangible assets.

The Company's response:

(i) As required by the listing requirements of Singapore Exchange, the Group adopted the SFRS(I) 9 Financial Instruments since January 2018. According to the requirement of SFRS(I) 9, the Group recorded expected credit loss ("ECL") on financial assets including trade receivables by simplified approach and the provision rate is determined through (a) external credit rating whenever available (e.g. S&P or Moody's); and (b) provision matrix method which based on the Group's historical credit loss experience. The Board is satisfied with the Group's provision methodology adopted and the impairment loss recognized.

The Group extended the coverage of insurance on trade receivables by incorporating the main customers of overseas subsidiaries into the Group insurance plan in FY2019 and enhanced credit review process which is supported with financial analysis and review of credit rating of customers.

The Company continues to trade with the customers whose outstanding balances were provided with ECL allowance as their credit risk has not been significantly increased since initial recognition.

(ii) Impairment loss on intangible assets in 2018 pertains to the impairment loss on capitalized development costs of the UK subsidiary, Metric Group Holdings Limited, mainly due to decrease in revenue and the revenue forecast in the impairment assessment, resulting the carrying amount of intangible assets exceeded its recoverable amount.

SGX-ST's Query 2:

With regard to page 11 of the Financial Statement, please clarify the nature and basis for the reversal of long term unclaimed payable, write back of other liabilities and write back of contingent consideration.

The Company's response:

The liabilities related to "reversal of long term unclaimed payable" represent the amount payable due to the former owner (the "Former Owner") of a Germany subsidiary, Deutsche Mechatronics GmbH ("DTMT") for the purchase consideration of the remaining 10% equity interest in DTMT. In 2018, the Former Owner agreed to compensate the Group for the VAT loss (amounting to EUR381,011, equivalent to RMB2,975,475) incurred by DTMT in prior year arising from the tax dispute before 2014 (before DTMT is acquired by us) through offsetting the consideration for the same amount. As a result, the Group reduced the liability balance and recognized in the profit or loss as "Other income" in 2018.

The "write back of other liabilities" mainly pertains to the write back of the unutilized provision for warranty of EUR150,000 (equivalent to RMB1,177,095) made in 2016 and 2017, together with reversal of over-accrued expenses made in prior year amounting to EUR58,000 (equivalent to RMB455,143) recorded in a subsidiary in Germany, Almex GmbH ("Almex") .

The liabilities related to "write back of contingent consideration" represent the contingent consideration pertains to EUR200,000 (equivalent to RMB1,461,000), measured at fair value, payable in relation to the acquisition of business by Almex, on 5 October 2016. The amount was recognised on the basis that it was probable that Almex would be awarded a major contract by a customer. In 2017, Almex failed to secure the contract, hence, the contingent consideration of EUR200,000 (equivalent to RMB1,527,000) is written back and recognised in the profit or loss as "Other income" (*Referring to Note 24(Note C) in page 68 of 2017 AR*).

SGX-ST's Query 3:

With regard to page 11 of the Financial Statement, please provide a breakdown of "Other Expenses".

The Company's response:

The breakdown of "Other expenses" is as below:

	12 Months ended 31/12/2018 RMB'000	12 Months ended 31/12/2017 RMB'000	Change %
Amortisation of land use rights	(1,350)	(1,350)	0.0
Impairment loss on trade receivables	(7,472)	(204)	n.m.
Bad debts written off	-	(223)	(100.0)
Loss on disposal of property, plant and equipment	-	(589)	(100.0)
Foreign exchange loss, net	-	(3,411)	(100.0)
Fair value loss on derivative financial instruments	-	(2,035)	(100.0)
Settlement of forward contracts	(5,407)	(456)	n.m.
Impairment loss on intagible assets	(13,676)	(7,908)	72.9
GMP equalisation past service cost	(6,616)	-	n.m.
Others	(593)	(190)	212.1
	(35,114)	(16,366)	114.6

SGX-ST's Query 4:

With regard to Page 13 of the Financial Statement, please explain what "other receivables, deposits and prepayments" and "due to a related party (non-trade)" relate to.

The Company's response:

"Other receivables, deposits and prepayments" mainly relates to the receivable of tax refund, the rent deposit, the project deposit and the prepayments for rental and insurance.

"Due to a related party (non-trade)" relates to dividend payable to one of the major shareholders.

On behalf of the Board

Dr Johnny Liu
Executive Chairman and CEO
19 March 2019