

UNAUDITED FINANCIAL STATEMENTS FOR THE 2ND QUARTER ENDED 30 June 2018

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 ended | 2nd Quarter ended | Change % | 6 Months ended | 6 Months ended | Change % |
|---|-----------------------|-----------------------|---------------|-----------------------|-----------------------|---------------|
| | 30/06/2018 RMB'000 | 30/06/2017 RMB'000 | | 30/06/2018 RMB'000 | 30/06/2017 RMB'000 | |
| Revenue | 453,361 | 405,833 | 11.7 | 877,743 | 760,200 | 15.5 |
| Cost of sales | (349,166) | (302,775) | 15.3 | (656,120) | (560,447) | 17.1 |
| Gross Profit | 104,195 | 103,058 | 1.1 | 221,623 | 199,753 | 10.9 |
| Selling and distribution expenses | (25,156) | (21,104) | 19.2 | (44,887) | (40,367) | 11.2 |
| Administrative expenses | (46,470) | (50,119) | (7.3) | (101,874) | (104,597) | (2.6) |
| Research and development expenses | (20,641) | (13,609) | 51.7 | (39,435) | (26,037) | 51.5 |
| Profit from Operations | 11,928 | 18,226 | (34.6) | 35,427 | 28,752 | 23.2 |
| Financial expenses, net | (2,169) | (1,876) | 15.6 | (3,918) | (3,903) | 0.4 |
| Share of results from associates | 430 | 167 | 157.5 | 793 | 207 | 283.1 |
| Other income | 6,579 | 6,297 | 4.5 | 5,728 | 11,855 | (51.7) |
| Other expenses | (4,090) | (2,164) | 89.0 | (8,818) | (2,715) | 224.8 |
| Profit Before Tax | 12,678 | 20,650 | (38.6) | 29,212 | 34,196 | (14.6) |
| Income tax | (1,780) | (5,637) | (68.4) | (3,531) | (3,871) | (8.8) |
| Net Profit After Tax | 10,898 | 15,013 | (27.4) | 25,681 | 30,325 | (15.3) |
| Other Comprehensive Income/(loss) <u>Items that may be reclassified</u> <u>subsequently to profit or loss:</u> | | | | | | |
| Currency translation differences arising from consolidation | 8,399 | 7,216 | 16.4 | (484) | 6,131 | n.m. |
| Changes in fair value of available-for-sale financial assets | (410) | (93) | 340.9 | (668) | (10) | n.m. |
| Other Comprehensive (Loss)/Income for the period | 7,989 | 7,123 | 12.2 | (1,152) | 6,121 | n.m. |
| | - | | | | | |
| Total Comprehensive Income for the period | 18,887 | 22,136 | (14.7) | 24,529 | 36,446 | (32.7) |

n.m.: not meaningful.

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

(A) Other Income

| | 2nd Quarter | 2nd Quarter | Change | 6 Months | 6 Months | Change |
|---|--------------|--------------|--------|--------------|---------------|---------|
| | ended | ended | | ended | ended | |
| | 30/06/2018 | 30/06/2017 | % | 30/06/2018 | 30/06/2017 | % |
| | RMB'000 | RMB'000 | | RMB'000 | RMB'000 | |
| Net of sales of raw materials | (45) | 545 | n.m. | 275 | 3,316 | (91.7) |
| Sales of steel scrap | 767 | 1,324 | (42.1) | 1,601 | 1,356 | 18.1 |
| Foreign exchange gain, net | 4,011 | 3,023 | 32.7 | - | 3,791 | (100.0) |
| Amortisation of deferred income | 91 | 251 | (63.7) | 182 | 582 | (68.7) |
| Government grants | 406 | 522 | (22.2) | 764 | 1,365 | (44.0) |
| Reversal of long term unclaimed payable | 412 | 332 | 24.1 | 1,036 | 406 | 155.2 |
| Others | 937 | 300 | 212.3 | 1,870 | 1,039 | 80.0 |
| | <u>6,579</u> | <u>6,297</u> | 4.5 | <u>5,728</u> | <u>11,855</u> | (51.7) |

(B) Other Expenses

| | 2nd Quarter | 2nd Quarter | Change | 6 Months | 6 Months | Change |
|---|----------------|----------------|--------|----------------|----------------|---------|
| | ended | ended | | ended | ended | |
| | 30/06/2018 | 30/06/2017 | % | 30/06/2018 | 30/06/2017 | % |
| | RMB'000 | RMB'000 | | RMB'000 | RMB'000 | |
| Amortisation of land use rights | (337) | (337) | - | (675) | (675) | - |
| Impairment loss on trade receivables | (579) | - | n.m. | (1,173) | (39) | n.m. |
| Loss on disposal of property, plant and equipment | (2) | (157) | (98.7) | - | (260) | (100.0) |
| Foreign exchange loss, net | - | - | - | (3,722) | - | n.m. |
| Fair value loss on derivative financial instruments | (3,112) | (1,276) | 143.9 | (3,140) | (1,347) | 133.1 |
| Others | (60) | (394) | (84.8) | (108) | (394) | (72.6) |
| | <u>(4,090)</u> | <u>(2,164)</u> | 89.0 | <u>(8,818)</u> | <u>(2,715)</u> | 224.8 |

(C) Financial (Expenses)/Income, net

| | 2nd Quarter | 2nd Quarter | Change | 6 Months | 6 Months | Change |
|---|----------------|----------------|--------|----------------|----------------|--------|
| | ended | ended | | ended | ended | |
| | 30/06/2018 | 30/06/2017 | % | 30/06/2018 | 30/06/2017 | % |
| | RMB'000 | RMB'000 | | RMB'000 | RMB'000 | |
| Interest income | 182 | 881 | (79.3) | 690 | 1,276 | (45.9) |
| Interest expenses | (1,829) | (2,123) | (13.8) | (3,555) | (3,926) | (9.4) |
| Net interest on net defined benefit liability | <u>(522)</u> | <u>(634)</u> | (17.7) | <u>(1,053)</u> | <u>(1,253)</u> | (16.0) |
| | <u>(2,169)</u> | <u>(1,876)</u> | 15.6 | <u>(3,918)</u> | <u>(3,903)</u> | 0.4 |

(D) Depreciation and Amortisation

| | 2nd Quarter ended | 2nd Quarter ended | | 6 Months ended | 6 Months ended | |
|---|----------------------|----------------------|--------|-------------------|-------------------|--------|
| | 30/06/2018 | 30/06/2017 | Change | 30/06/2018 | 30/06/2017 | Change |
| | <u>RMB'000</u> | <u>RMB'000</u> | % | <u>RMB'000</u> | <u>RMB'000</u> | % |
| Depreciation on property, plant and equipment | 8,269 | 6,692 | 23.6 | 16,348 | 13,646 | 19.8 |
| Amortisation of land use rights | 338 | 338 | - | 675 | 675 | - |
| Amortisation of intangible assets | <u>4,171</u> | <u>4,294</u> | (2.9) | <u>8,345</u> | <u>8,797</u> | (5.1) |
| | 12,778 | 11,324 | 12.8 | 25,368 | 23,118 | 9.7 |

For the 6 months ended 30 June 2018, the Group's depreciation expenses increased by 20.1% to RMB16.4 million over last corresponding period due to the addition of property, plant and equipment of German and Chinese subsidiaries.

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 |
| | 30/06/2018 | 31/12/2017 | | 30/06/2018 | 31/12/2017 | |
| | RMB'000 | RMB'000 | % | RMB'000 | RMB'000 | % |
| Unaudited | Audited | | Unaudited | Audited | | |
| Assets | | | | | | |
| Non-current Assets | | | | | | |
| Intangible assets | 74,524 | 76,820 | (3.0) | - | - | - |
| Investment in subsidiaries | - | - | - | 93,683 | 92,517 | 1.3 |
| Investment in associates | 8,303 | 7,510 | 10.6 | - | - | - |
| Land use rights | 58,825 | 59,500 | (1.1) | - | - | - |
| Property, plant and equipment | 328,027 | 326,601 | 0.4 | - | - | - |
| Deferred tax assets | 19,205 | 19,360 | (0.8) | - | - | - |
| Total Non-current Assets | 488,884 | 489,791 | (0.2) | 93,683 | 92,517 | 1.3 |
| Current Assets | | | | | | |
| Cash and bank balances | 221,148 | 298,219 | (25.8) | 46,427 | 11,846 | 291.9 |
| Available-for-sale financial assets | 16,214 | 16,748 | (3.2) | - | - | - |
| Trade receivables | 295,252 | 307,872 | (4.1) | 7,920 | 6,826 | 16.0 |
| Advances to suppliers | 27,413 | 35,339 | (22.4) | - | - | - |
| Other receivables, deposits and prepayments | 12,150 | 10,581 | 14.8 | - | 332 | (100.0) |
| Due from related parties (trade) | 491 | - | n.m. | - | - | - |
| Due from subsidiaries (non-trade) | - | - | - | 186,624 | 217,892 | (14.4) |
| Inventories | 426,233 | 373,661 | 14.1 | - | - | - |
| Total Current Assets | 998,901 | 1,042,420 | (4.2) | 240,971 | 236,896 | 1.7 |
| Total Assets | 1,487,785 | 1,532,211 | (2.9) | 334,654 | 329,413 | 1.6 |
| Liabilities | | | | | | |
| Current Liabilities | | | | | | |
| Borrowings | 160,846 | 185,200 | (13.2) | - | - | - |
| Trade payables | 142,869 | 160,972 | (11.2) | 983 | 1,858 | (47.1) |
| Other payables and accruals | 131,831 | 151,944 | (13.2) | 1,701 | 1,548 | 9.9 |
| Due to a related party (trade) | 243 | 243 | - | - | - | - |
| Derivative financial instruments | 3,182 | 608 | 423.4 | - | - | - |
| Provision for income tax | 5,754 | 6,464 | (11.0) | 720 | 841 | (14.4) |
| Due to subsidiaries | - | - | - | 63,306 | 58,212 | 8.8 |
| Total Current Liabilities | 444,725 | 505,431 | (12.0) | 66,710 | 62,459 | 6.8 |
| Non-current Liabilities | | | | | | |
| Long-term borrowings | 28,713 | 31,418 | (8.6) | - | - | - |
| Other payables | 3,603 | 3,503 | 2.9 | - | - | - |
| Pension liability | 77,982 | 79,364 | (1.7) | - | - | - |
| Deferred income | 12,268 | 12,450 | (1.5) | - | - | - |
| Deferred tax liabilities | 20,538 | 24,618 | (16.6) | - | - | - |
| Total Non-current Liabilities | 143,104 | 151,353 | (5.5) | - | - | - |
| Total Liabilities | 587,829 | 656,784 | (10.5) | 66,710 | 62,459 | 6.8 |
| Net Assets | 899,956 | 875,427 | 2.8 | 267,944 | 266,954 | 0.4 |
| 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 | 648,994 | 623,313 | 4.1 | 112,506 | 114,798 | (2.0) |
| Statutory reserve | 60,965 | 60,965 | - | - | - | - |
| Translation reserve | 15,705 | 16,189 | (3.0) | 815 | (2,467) | n.m. |
| Fair value reserve | (358) | 310 | n.m. | - | - | - |
| Merger deficit | (13,029) | (13,029) | - | - | - | - |
| Total Equity | 899,956 | 875,427 | 2.8 | 267,944 | 266,954 | 0.4 |

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

| | Group | | Group | |
|---------------------------------|--------------------|-----------|------------------------|-----------|
| | As at 30 June 2018 | | As at 31 December 2017 | |
| | Secured | Unsecured | Secured | Unsecured |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Borrowings | | | | |
| Amount repayable in one year | 79,346 | 81,500 | 105,200 | 80,000 |
| Amount repayable above one year | 28,713 | - | 31,418 | - |
| Total | 108,059 | 81,500 | 136,618 | 80,000 |

Details of any collateral

As at 30 June, borrowings comprised:

- (1) A mortgage loan of USD0.4 million (equivalent to RMB2.5 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 EUR0.4 million (equivalent to RMB3.3 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 RMB15.3 million) was obtained by Format Tresorbau GmbH & Co. KG to finance the construction of warehouse. The Company provided corporate guarantee for the loan.
- (4) DTMT has an outstanding loan of EUR2.9 million (equivalent to RMB22.5 million), secured by the land of DTMT from a German commercial bank. In addition, DTMT has outstanding finance leases for its equipment of EUR0.9 million (equivalent to RMB7.1 million).
- (5) Krauth Technology GmbH ("Krauth") has an outstanding loan of EUR0.7 million (equivalent to RMB5.7 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 RMB1.4 million).
- (6) Krauth Technology GmbH ("Krauth") has an outstanding loan of EUR3.3 million (equivalent to RMB24.9 million) to finance the working capital. The Company provided corporate guarantee and pledged bank balance for the loan. And it has another outstanding loan of EUR0.5 million (equivalent to RMB3.7 million) to finance the working capital.
- (7) Metric Group Limited has an outstanding loan of GBP2.4 million (equivalent to RMB20.4 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 RMB1.3 million).
- (8) 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 RMB81.5 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 30/06/2018 RMB'000 | 2nd Quarter ended 30/06/2017 RMB'000 | 6 Months ended 30/06/2018 RMB'000 | 6 Months ended 30/06/2017 RMB'000 |
|--|---|---|--|--|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | | |
| Profit before tax | 12,678 | 20,650 | 29,212 | 34,196 |
| Adjustments: | | | | |
| Amortisation of land use rights | 338 | 338 | 675 | 675 |
| Amortisation of intangible assets | 4,171 | 4,294 | 8,345 | 8,797 |
| Amortisation of deferred government grant | (91) | (251) | (182) | (582) |
| Depreciation of property, plant and equipment | 8,269 | 6,692 | 16,348 | 13,646 |
| Fair value loss on derivative financial instruments | 3,112 | 1,276 | 3,140 | 1,347 |
| Loss on disposal of property, plant and equipment | - | 156 | - | 260 |
| Interest expenses | 2,351 | 2,123 | 4,608 | 3,926 |
| Interest income | (182) | (881) | (690) | (1,276) |
| Share of results from associate | (430) | (167) | (793) | (207) |
| (Gain)/loss on foreign exchange, net | (166) | - | 2,039 | - |
| Reversal of long unclaimed accrued purchases | (412) | - | (1,036) | - |
| Operating profit before working capital changes | 29,638 | 34,230 | 61,666 | 60,782 |
| Trade receivables | (21,878) | (45,117) | 14,563 | 3,473 |
| Other receivables, deposits and prepayments | 495 | (2,273) | (1,730) | (2,975) |
| Advances to suppliers | 7,110 | 4,728 | 7,728 | (12,626) |
| Trade payables | (1,173) | 24,030 | (16,998) | 47,099 |
| Other payables and accruals | 11,208 | 28,004 | (17,530) | 9,252 |
| Due from related party (trade) | (491) | 992 | (491) | - |
| Inventories | (28,206) | (55,353) | (57,679) | (117,237) |
| Pension liability | (228) | - | - | - |
| Cash used in operations | (3,525) | (10,759) | (10,471) | (12,232) |
| Income tax paid | (2,460) | (4,818) | (8,368) | (12,295) |
| Net cash used in operating activities | (5,985) | (15,577) | (18,839) | (24,527) |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | | |
| Purchase of property, plant and equipment | (10,126) | (11,347) | (21,306) | (27,355) |
| Addition of Intangible assets | (3,392) | (3,031) | (7,367) | (5,867) |
| Proceed from disposal of property, plant and equipment | 437 | - | 437 | - |
| Interest received | 182 | 881 | 690 | 1,276 |
| Proceeds from disposal of held-to-maturity investments | - | 3,716 | - | 3,716 |
| Purchase of available-for-sale financial assets | - | (6,594) | - | (6,594) |
| Net cash used in investing activities | (12,899) | (16,375) | (27,546) | (34,824) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | | | |
| Dividend paid | - | (17,438) | - | (17,438) |
| Proceeds from bank borrowings | 44,401 | 32,870 | 105,901 | 88,807 |
| Repayment of loans | (48,781) | (2,338) | (130,599) | (4,728) |
| Interest paid | (2,351) | (2,123) | (4,608) | (3,926) |
| Placement of bank guarantee | (26,454) | 18 | (4,774) | (20,987) |
| Net cash (used in)/from financing activities | (33,185) | 10,989 | (34,080) | 41,728 |
| Net decrease in cash and cash equivalents | (52,069) | (20,963) | (80,465) | (17,623) |
| Effects of exchange rate changes in cash and cash equivalents | 4,476 | 56 | (1,380) | (1,118) |
| Cash and cash equivalents at beginning of the period | 214,899 | 272,171 | 249,151 | 270,005 |
| Cash and cash equivalents at end of the period | 167,306 | 251,264 | 167,306 | 251,264 |
| Note: | | | | |
| For the purpose of the consolidated statement of cash flows, the consolidated cash and cash equivalents comprised: | | | | |
| -Cash at bank and in hand | 638 | 726 | 638 | 726 |
| -Fixed deposits with banks | 220,510 | 296,526 | 220,510 | 296,526 |
| | 221,148 | 297,252 | 221,148 | 297,252 |
| Less: Pledged deposit | (53,842) | (45,988) | (53,842) | (45,988) |
| Cash and cash equivalents per consolidated statement of cash flows | 167,306 | 251,264 | 167,306 | 251,264 |

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 2018 | 154,623 | 60,965 | (13,029) | 33,056 | 623,313 | 16,189 | 310 | 875,427 |
| Profit for the period | - | - | - | - | 25,681 | - | - | 25,681 |
| Other comprehensive income, net of tax | - | - | - | - | - | (484) | (668) | (1,152) |
| Balance at 30 June 2018 | 154,623 | 60,965 | (13,029) | 33,056 | 648,994 | 15,705 | (358) | 899,956 |

| | 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 period | - | - | - | - | 30,325 | - | - | 30,325 |
| Dividends | - | - | - | - | (17,438) | - | - | (17,438) |
| Other comprehensive income, 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 |

| | Company | | | |
|---|----------------|-----------------|---------------------|----------------|
| | Share capital | Revenue reserve | Translation reserve | Total equity |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance at 1 January 2018 | 154,623 | 114,798 | (2,467) | 266,954 |
| Total comprehensive income for the period | - | (2,292) | 3,282 | 990 |
| Balance at 30 June 2018 | 154,623 | 112,506 | 815 | 267,944 |

| | 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 |

- 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 2018.

The Company did not hold any treasury shares and subsidiary holdings as at 30 June 2018 or as at 31 December 2017 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 2018 and as at 31 December 2017, 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.**

The Group has adopted a new financial reporting framework, Singapore Financial Reporting Standards (International) (SFRS(I)s), on 1 January 2018 and has prepared its first set of financial information under SFRS(I)s for the quarter ended 31 March 2018.

In adopting SFRS(I)s, the Group is required to apply all of the specific transition requirements in SFRS(I)s 1 First-time Adoption of Singapore Financial Reporting Standards (International). The adoption of the new standards did not have any significant impact on the financial statements for the 6 months ended 30 June 2018. 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 |
| | 30/06/2018 | 30/06/2017 | 30/06/2018 | 30/06/2017 |
| <u>Earnings per ordinary share of the group (in RMB cents):</u> | | | | |
| (a) Based on weighted average number of ordinary shares on issue; and Weighted average number of ordinary shares for basic earnings per share computation ('000) | 3.06 | 4.21 | 7.20 | 8.51 |
| | 356,536 | 356,536 | 356,536 | 356,536 |
| (b) On a fully diluted basis | 3.06 | 4.21 | 7.20 | 8.51 |
| 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 |
| | 30/06/2018 | 31/12/2017 | 30/06/2018 | 31/12/2017 |
| Net asset value per ordinary share based on issued share capital at the end of the respective periods (in RMB cents) | 252.42 | 245.54 | 75.15 | 74.87 |
| 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 2018:

Revenue

The Group achieved sales of RMB877.7 million, representing an increase of 15.5% or RMB117.5 million over last corresponding period.

Sales of the High Security Segment increased by 30.7% or RMB109.3 million to RMB465.2 million over last corresponding period due to the sales growth in ATM safes.

Sales of the Business Solutions Segment increased by 2.0% or RMB8.2 million to RMB412.6 million over last corresponding period due to the increase of sales orders.

Gross Profit

Gross profit of the Group increased by 10.9% or RMB21.9 million to RMB221.6 million.

Gross margin of the Group decreased from 26.3% in last corresponding period to 25.2%. Gross margin of the High Security Segment marginally decreased from 27.8% to 27.5% and gross margin of the Business Solutions Segment decreased from 24.9% to 22.8% mainly due to the change of product mix.

Selling and distribution expenses

Selling and distribution expenses increased by 11.2% or RMB4.5 million to RMB44.9 million mainly due to the increase in after-sales service fee and headcount of salesman.

Administrative expenses

Administrative expenses decreased by 2.6% or RMB2.7 million to RMB101.9 million mainly due to the decrease in headcount of administration staff and other administrative expenses.

Research and development expenses

Research and development expenses increased by RMB13.4 million to RMB39.4 million mainly due to more research and development expenses input during the period in order to develop the new products and software to meet global customer needs.

Other Income

Other income decreased by RMB6.1 million to RMB5.7 million mainly due to the decrease of sales of raw materials and foreign exchange gain, net.

Other Expenses

Other expenses increased by RMB6.1 million to RMB8.8 million mainly due to the increase of impairment loss on trade receivables, foreign exchange loss, net and fair value loss on derivative financial instruments.

Profit before Tax

Profit before tax was RMB29.2 million, representing a decrease of 14.6% or RMB5.0 million as compared to RMB34.2 million during last corresponding period.

Net profit after Tax

Profit after tax was RMB25.7 million, representing a decrease of 15.3% or RMB4.6 million as compared to RMB30.3 million during last corresponding period.

(a) Profit statement of the Group

For the 3 months ended 30 June 2018:

Revenue

The Group achieved sales of RMB453.4 million, representing an increase of 11.7% or RMB47.5 million over last corresponding period.

Sales of the High Security Segment increased by 32.0% or RMB62.9 million to RMB259.7 million over last corresponding period due to the sales growth in ATM safes.

Sales of the Business Solutions Segment decreased by 7.3% or RMB15.4 million to RMB193.7 million over last corresponding period due to the decrease of sales orders.

Gross Profit

Gross profit of the Group increased by 1.1% or RMB1.1 million to RMB104.2 million.

Gross margin of the Group decreased from 25.4% in last corresponding period to 23.0%. Gross margin of the High Security Segment decreased from 28.7% to 24.5% and gross margin of the Business Solutions Segment decreased from 22.3% to 20.9% mainly due to the product mix.

Selling and distribution expenses

Selling and distribution expenses increased by 19.2% or RMB4.1 million to RMB25.2 million mainly due to the increase in after-sales service fee and salary expenses.

Administrative expenses

Administrative expenses decreased by 7.3% or RMB3.6 million to RMB46.5 million mainly due to the decrease in headcount of administration and other administrative expenses.

Research and development expenses

Research and development expenses increased by RMB7.0 million to RMB20.6 million mainly due to more research and development expenses input during the period in order to develop the new products and software to meet global customer needs.

Other Expenses

Other expenses increased by RMB1.9 million to RMB4.1 million mainly due to the increase of fair value loss on derivative financial instruments.

Profit before Tax

Profit before tax was RMB12.7 million, representing a decrease of RMB8.0 million as compared to RMB20.7 million during last corresponding period.

Net profit after Tax

Profit after tax was RMB10.9 million, representing a decrease of RMB4.1 million as compared to RMB15.0 million during last corresponding period.

(b) Statement of financial position of the Group

Non-current Assets

The Group's non-current assets decreased by RMB0.9 million from RMB489.8 million as at 31 December 2017 to RMB488.9 million as at 30 June 2018 mainly due to the decrease in intangible assets, partially offset by the increase in property, plant and equipment.

Intangible assets decreased by RMB2.3 million from RMB76.8 million as at 31 December 2017 to RMB74.5 million as at 30 June 2018 mainly due to the amortisation.

Property, plant and equipment increased by RMB1.4 million from RMB326.6 million as at 31 December 2017 to RMB328.0 million as at 30 June 2018 mainly due to the addition of property, plant and equipment of its German and Chinese subsidiaries.

Current Assets

The Group's current assets decreased by RMB43.5 million from RMB1,042.4 million as at 31 December 2017 to RMB998.9 million as at 30 June 2018 mainly due to the decrease in cash and bank balances, trade receivables and advances to suppliers, partially offset by the increase in other receivables, deposits and prepayments and inventories.

Trade receivables decreased by RMB12.6 million from RMB307.9 million as at 31 December 2017 to RMB295.3 million as at 30 June 2018 mainly due to the better collection.

Advances to suppliers decreased by RMB7.9 million from RMB35.3 million as at 31 December 2017 to RMB27.4 million as at 30 June 2018 mainly due to the decrease in advance payment for purchase of raw materials.

Other receivables, deposits and prepayments increased by RMB1.6 million from RMB10.6 million as at 31 December 2017 to RMB12.2 million as at 30 June 2018 mainly due to the increase in project deposit.

Inventories increased by RMB52.5 million from RMB373.7 million as at 31 December 2017 to RMB426.2 million as at 30 June 2018 mainly due to stock up in order to meet the needs of sales growth.

Current Liabilities

Current liabilities decreased by RMB60.7 million from RMB505.4 million as at 31 December 2017 to RMB444.7 million as at 30 June 2018 mainly due to the decrease in borrowings, trade payables and other payables and accruals, partially offset by the increase in derivative financial instruments.

Borrowings decreased by RMB24.4 million from RMB185.2 million as at 31 December 2017 to RMB160.8 million as at 30 June 2018 due to the repayment.

Trade payables decreased by RMB18.1 million from RMB161.0 million as at 31 December 2017 to RMB142.9 million as at 30 June 2018 was mainly due to the payment for raw materials purchase by its Chinese and German subsidiaries.

Other payables and accruals decreased by RMB20.1 million from RMB151.9 million as at 31 December 2017 to RMB131.8 million as at 30 June 2018 was mainly due to the repayment of EUR3.0 million loan from former owner of Metric Group Limited.

Derivative financial instruments increased by RMB2.6 million due to the fluctuation of the exchange rate of Chinese Yuan against USD during the period.

Non-current Liabilities

Non-current liabilities decreased by RMB8.3 million from RMB151.4 million as at 31 December 2017 to RMB143.1 million as at 30 June 2018 mainly due to decrease in long-term borrowings, pension liability and deferred tax liabilities.

Long-term borrowings decreased by RMB2.7 million from RMB31.4 million as at 31 December 2017 to RMB28.7 million as at 30 June 2018 due to the reclassification from non-current liabilities to current liabilities.

Pension liability decreased by RMB1.4 million from RMB79.4 million as at 31 December 2017 to RMB78.0 million as at 30 June 2018 due to the fluctuation of the exchange rate of Chinese Yuan against GBP during the period.

Deferred tax liabilities decreased by RMB4.1 million from RMB24.6 million as at 31 December 2017 to RMB20.5 million as at 30 June 2018 mainly due to the profit distribution from Chinese subsidiaries to Singapore holding companies and 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 RMB875.4 million as at 31 December 2017 to RMB900.0 million as at 30 June 2018.

(c) Cash Flow Statement of the Group

Net cash used in operating activities was RMB18.8 million for the 6 months ended 30 June 2018 mainly due to decrease in trade payables, other payables and accruals and increase in inventories and other receivables, deposits and prepayments, partially offset by the operating profit before working capital changes and decrease in trade receivables and advance to suppliers. The increase in inventories was mainly due to the stocking up in order to meet the needs of sales growth.

Net cash used in investing activities was RMB27.5 million for the 6 months ended 30 June 2018 mainly due to purchase of property, plant and equipment and addition of intangible assets.

Net cash used in financing activities was RMB34.1 million for the 6 months ended 30 June 2018 mainly due to the repayment of short-term loans, interest paid and placement of bank guarantee, partially offset by the proceeds from bank borrowings.

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.

The management expects trading conditions to remain challenging. Rising raw materials prices, ATM market shrinking and overhead challenge will serve to affect group performance. On-going trading issues between China and US will bring some uncertainties on Group's future performance. To the positive, our gaming machine sales are strong in 2018. As a whole, management expects the Group to remain profitable in 2018.

The Group will continue its efforts in expanding new products lines. Meanwhile we will also continue to focus on innovation and the development of new generation of Ticketing and Vending Machines.

The Group will continue to focus on the integration synergies in joint development of self-service terminals between the Group and its German and UK subsidiaries.

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 2018: RMB1.0 million | NIL |
| Duowei Elector Mechanical (Tongzhou) Co., Ltd. | Sales of raw material for Q2 2018: RMB1.1 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 June 2018 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 2018