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# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of the Company, you should at once hand this circular, the notice of the SGM and the accompanying form of proxy to the purchaser or to the stockbroker or transferee or to the bank or to the agent through whom you effected the sale or transfer for onward transmission to the purchaser or transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase, or subscribe for securities of the Company.

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## TECHCOMP (HOLDINGS) LIMITED

天美(控股)有限公司\*

(Incorporated in Bermuda with limited liability)

(Hong Kong Stock Code: 1298)

(Singapore Stock Code: T43)

### (1) PROPOSED GROUP REORGANISATION AND DISTRIBUTION IN SPECIE OF THE PRIVATECO SHARES

### (2) AMENDMENT TO THE TERMS OF THE 2004 SHARE OPTION SCHEME AND THE 2011 SHARE OPTION SCHEME AND ADJUSTMENTS TO THE EXERCISE PRICE OF THE SHARE OPTIONS

### (3) POSSIBLE CONNECTED TRANSACTION IN RELATION TO THE ISSUE OF CONVERTIBLE BONDS UNDER THE SPECIFIC MANDATE BY TECHCOMP (HOLDINGS) LIMITED TO BAODI INTERNATIONAL INVESTMENT COMPANY LTD

### (4) SPECIAL DEALS AND CONTINUING CONNECTED TRANSACTIONS

Financial Adviser to  
Baodi International Investment Company Ltd  
in respect of  
the Listco Offers

**Deloitte.**

Deloitte & Touche Corporate Finance Limited

德勤



SOMERLEY CAPITAL LIMITED

Financial Adviser to  
Circle Brown Limited  
in respect of  
the Privateco Offer

Independent Financial Adviser to the  
Independent Board Committee and Independent Shareholders

**AMASSE CAPITAL**  
寶 積 資 本

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definition" in this circular. A letter from the Board is set out on pages 12 to 57 of this circular and a letter from the Independent Board Committee is set out on pages 58 to 59 of this circular. A letter from Amasse Capital containing their advice to the Independent Board Committee and the Independent Shareholders is set out on pages 60 to 125 of this circular.

A notice convening the SGM of the Company to be held at 2:30 p.m. on 17 July 2018 at Conference Room (A3), Admiralty Conference Centre, 1804, 18/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong is set out on pages N-1 to N-8 of this circular. Any Shareholder or proxy who wishes to take part in the SGM from Singapore may attend via video conference which will be held at Pinnacle Suite, Wangz Business Centre, The Penthouse, 7 Temasek Boulevard, #44-01 Suntec Tower One, Singapore 038987. Whether or not you intend to attend the SGM or any adjournment thereof, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the SGM or any adjournment thereof to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Shareholders in Hong Kong), or the Company's share transfer agent in Singapore, M & C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902 (for Shareholders in Singapore). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment meeting if you so wish.

\* For identification purpose only

29 June 2018

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## EXPECTED TIMETABLE

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Below is an indicative timetable showing the key dates of the relevant events:

Last day of trading of Shares on the SGX-ST to be entitled to attend and vote at the SGM . . . . .	Friday, 6 July 2018
Last day of dealings in the Shares on the Hong Kong Stock Exchange to be entitled to attend and vote at the SGM . . . . .	Monday, 9 July 2018
Latest date and time for lodging transfer of Shares to be entitled to attend and vote at the SGM . . . . .	4:30 p.m. on Wednesday, 11 July 2018
Record date of the SGM . . . . .	5:00 p.m. on Wednesday, 11 July 2018
Register of members of the Company closed on. . . . .	Thursday, 12 July 2018 to Tuesday, 17 July 2018
Latest date and time for lodging proxy form for SGM . . . . .	2:30 p.m. on Sunday, 15 July 2018
SGM . . . . .	2:30 p.m. on Tuesday, 17 July 2018
Announcement of the poll results of SGM . . . . .	Tuesday, 17 July 2018
Register of members of the Company re-opens . . . . .	Wednesday, 18 July 2018

**If the approvals sought at the SGM are obtained:**

Last day of trading in the Shares cum-entitlement to the Distribution In Specie on the SGX-ST. . . . .	Wednesday, 18 July 2018
Last day of dealings in the Shares cum-entitlement to the Distribution In Specie on the Hong Kong Stock Exchange. . . . .	Thursday, 19 July 2018
First day of trading in the Shares ex-entitlement to the Distribution In Specie on the SGX-ST. . . . .	Thursday, 19 July 2018
First day of dealings in the Shares ex-entitlement to the Distribution In Specie on the Hong Kong Stock Exchange. . . . .	Friday, 20 July 2018
Latest time for lodging transfer of shares to be entitled to the Distribution In Specie. . . . .	4:30 p.m. on Monday, 23 July 2018
Record Date for determining entitlements to the Distribution In Specie. . . . .	5:00 p.m. on Monday, 23 July 2018
Register of members of the Company closed on. . . . .	Tuesday, 24 July 2018 to Wednesday, 25 July 2018
Register of members of the Company re-opens . . . . .	Thursday, 26 July 2018

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## EXPECTED TIMETABLE

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Sale and Purchase Completion and completion  
of the Distribution In Specie. . . . . Wednesday, 1 August 2018

Listco Offers and Privateco Offer open . . . . . no later than Wednesday, 8 August 2018

First closing date of the Listco Offers  
and the Privateco Offer . . . . . no later than Wednesday, 29 August 2018

*Notes:*

1. *A detailed timetable on the Listco Offers and the Privateco Offer will be set out in the relevant offer documents respectively.*
2. *Dates and deadlines stated in this circular for events in the timetable are indicative only and may be extended or varied. Any changes to the expected timetable will be announced as appropriate. All times and dates refer to Hong Kong local time.*

*Further announcement(s) will be made in relation to those events which are scheduled to take place after the SGM as and when appropriate in accordance with applicable regulatory requirements.*

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following terms have the meanings set out below:*

"2004 Optionholder(s)"	holder(s) of the 2004 Share Option(s)
"2004 Scheme Shares"	the Shares to be issued pursuant to the exercise of 2004 Share Options granted under the 2004 Share Option Scheme
"2004 Share Option Scheme"	the share option scheme of the Company adopted on 28 May 2004
"2004 Share Option Scheme Committee"	a committee comprising Directors who are duly authorised and appointed by the Board to administer the 2004 Share Option Scheme, which shall be the remuneration committee of the Company from time to time
"2004 Share Option(s)"	share option(s) granted under the 2004 Share Option Scheme
"2011 Optionholder(s)"	holder(s) of the 2011 Share Option(s)
"2011 Scheme Shares"	the Shares to be issued pursuant to the exercise of 2011 Share Options granted under the 2011 Share Option Scheme
"2011 Share Option Scheme"	the share option scheme of the Company adopted on 9 June 2011
"2011 Share Option(s)"	share option(s) granted under the 2011 Share Option Scheme
"acting in concert"	has the same meaning ascribed to it under the Takeovers Code
"associate"	has the same meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day on which licensed banks in Hong Kong are open for business throughout their normal business hours, other than (i) a Saturday, a Sunday or a public holiday in Hong Kong; or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m
"BVI"	British Virgin Islands

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## DEFINITIONS

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"CB Subscription Agreement"	the subscription agreement dated 18 April 2018 entered into between the Company as issuer, the Offeror as subscriber and the Guarantor in relation to the subscription of Convertible Bonds to be issued by the Company and supplemented and amended by the Supplemental CB Subscription Agreement
"CB Subscription Completion"	the completion of the subscription of the Convertible Bonds by the Offeror pursuant to the CB Subscription Agreement
"CB Subscription Completion Date"	the date of CB Subscription Completion, which shall take place on the fifth Business Day after fulfilment (or, where applicable, waiver) of the last of the conditions to the CB Subscription Agreement (or such other date as agreed by the Company and the Offeror in writing)
"CB Subscription Longstop Date"	18 October 2018, or such later date as may be agreed between the Offeror and the Company in writing
"CDP"	The Central Depository (Pte) Limited of Singapore
"Circle Brown"	Circle Brown Limited, a company incorporated in BVI with limited liability which is directly and wholly owned by Mr. Lo
"Company"	Techcomp (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares of which are primary listed on the Main Board of the Hong Kong Stock Exchange and secondary listed on the Main Board of the SGX-ST
"Completion Balance Sheet"	the balance sheet of the Remaining Group as at the end of the calendar month in which Sale and Purchase Completion took place prepared in accordance with the terms of the SPA I
"connected person"	has the meaning ascribed to it under the Listing Rules
"Continuing Connected Transactions"	all continuing connected transactions which would require approval from the Independent Shareholders, as set out in the sub-section headed "E. Special Deals And Continuing Connected Transactions" of this circular
"Conversion Date"	the date on which a conversion notice is served to the Company

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## DEFINITIONS

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“Conversion Price”	US\$0.41885 or approximately HK\$3.267, being the revised initial conversion price of the Convertible Bonds as set out in the sub-section headed “D. Possible Connected Transaction In Relation To The Issue Of Convertible Bonds Under The Specific Mandate By The Company To The Offeror” in the section headed “Letter from the Board” of this circular
“Conversion Share(s)”	the new Share(s) to be allotted and issued by the Company upon exercise by a holder of the Convertible Bonds of its conversion rights
“Convertible Bonds”	the convertible bonds in the aggregate principal amount of up to US\$32,482,307 to be issued by the Company to the Offeror pursuant to the CB Subscription Agreement
“Deloitte Corporate Finance”	Deloitte & Touche Corporate Finance Limited, a licensed corporation permitted to carry out Type 1 (dealing in securities relating to corporate finance), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the financial adviser to the Offeror in respect of the Listco Offers
“Director(s)”	the director(s) of the Company
“Distribution Agreements”	the exclusive distribution agreements between a member of the Privateco Group and suppliers of certain scientific instruments
“Distributed Business”	all business of the Group, other than the Remaining Business, to be carried on by the Privateco Group after the Group Reorganisation and the Distribution In Specie
“Distribution In Specie”	a distribution in specie of the Privateco Shares by the Company to the Shareholders as described in the section headed “B. Proposed Group Reorganisation And Distribution In Specie Of The Privateco Shares” of this circular
“Earnest Money”	the earnest money of HK\$15,000,000 paid by Yunnan Energy Investment Overseas Finance Company Ltd. to the Escrow Agent pursuant to the MOU

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## DEFINITIONS

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“Encumbrances”	<p>(a) any mortgage, charge, pledge, lien, hypothecation, encumbrance or other security arrangement of any kind;</p> <p>(b) any option, equity, claim, adverse interest or other third party right of any kind;</p> <p>(c) any arrangement by which any right is subordinated to any right of such third party; or</p> <p>(d) any contractual right of set-off,</p> <p>including any agreement or commitment to create or procure to create, or to permit or suffer to be created or subsisted any of the above</p>
“Escrow Agent”	Leung & Associates or such other escrow agent jointly appointed by Mr. Lo and Yunnan Energy Investment Overseas Finance Company Ltd.
“Executive”	Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Group”	the Company and its subsidiaries
“Group Reorganisation”	the proposed group restructuring of the Group, details of which are set out in the section headed “B. Proposed Group Reorganisation And Distribution In Specie Of The Privateco Shares” in this circular
“Guarantor”	Yunnan Energy Investment (H K) Co. Limited, a company incorporated under the laws of Hong Kong
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Ho Yew Yuen, Mr. Seah Kok Khong, Manfred and Mr. Teng Cheong Kwee which has been established by the Company to make a recommendation to (i) the Independent Shareholders regarding the Distribution In Specie, the Supply Framework Agreement, the Service Agreements, the CB Subscription Agreement, the Listco Offers and the respective transactions contemplated thereunder and (ii) the Optionholders regarding the Listco Option Offer



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## DEFINITIONS

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"Independent Financial Adviser" or "Amasse Capital"	Amasse Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities relating to corporate finance) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in relation to the Distribution In Specie, the Supply Framework Agreement, the Service Agreements, the CB Subscription Agreement and the respective transactions contemplated thereunder (where appropriate), the Listco Offers and the Privateco Offer
"Independent Shareholder(s)"	Shareholder(s) other than (i) the Vendors, Mr. Guo, their respective associates and parties acting in concert with any of them; and (ii) the Offeror, its associates and parties acting in concert with any of them
"Joint Announcement"	the joint announcement published by the Offeror, the Company and Circle Brown dated 24 April 2018 in relation to, among other things, the Sale and Purchase Agreements, the Group Reorganisation, the Distribution In Specie, the Supply Framework Agreement, the Service Agreements, the CB Subscription Agreement, the amendment to the terms of the 2004 Share Option Scheme, the amendment to the terms of the 2011 Share Option Scheme, the Listco Offers and the Privateco Offer
"KCH Investment"	KCH Investment Co. Limited, a company incorporated in BVI with limited liability, which is wholly-owned by Mr. Guo as at the Latest Practicable Date
"Last Trading Day"	18 April 2018, being the last trading day for the Shares prior to the suspension of trading in the Shares pending the publication of the Joint Announcement
"Latest Practicable Date"	26 June 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
"Listco Offers"	the Listco Share Offer and the Listco Option Offer
"Listco Offer Document"	the offer and response document (in either composite or separate form) together with the relevant form(s) of acceptance to be despatched to the Shareholders pursuant to the Listco Offers
"Listco Option Offer"	the possible unconditional mandatory cash general offer to be made by Deloitte Corporate Finance on behalf of the Offeror to cancel all the outstanding Share Options

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## DEFINITIONS

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"Listco Option Offer Price(s)"	the respective offer prices for cancellation of each outstanding Share Option as set out in Appendix I to this circular
"Listco Share Offer"	the possible unconditional mandatory cash general offer to be made by Deloitte Corporate Finance on behalf of the Offeror to acquire all the Offer Shares
"Listco Share Offer Price"	the price at which the Listco Share Offer will be made, being HK\$3.267 per Offer Share
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
"Listing Manual"	the listing manual of the SGX-ST, as amended, modified or supplemented from time to time
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Maturity Date"	the first anniversary of the date of issue of the Convertible Bonds
"MOU"	the memorandum of understanding dated 22 May 2017 entered into between Mr. Lo as possible vendor and Yunnan Energy Investment Overseas Finance Company Ltd. as possible purchaser in respect of the possible disposal of the Shares held by Mr. Lo and his spouse to Yunnan Energy Investment Overseas Finance Company Ltd., and a reorganisation of the Company which may be implemented by way of distribution or disposal of certain assets of the Company
"MOU Announcement"	the announcement issued by the Company dated 23 May 2017 in relation to, among others, the entering into of the MOU between Mr. Lo and Yunnan Energy Investment Overseas Finance Company Ltd. for the possible disposal of the Shares held by Mr. Lo and his spouse
"Mr. Chan"	Chan Wai Shing, an executive Director, who is beneficially interested in 9,720,000 Shares (representing approximately 3.5% of the issued share capital of the Company as at the Latest Practicable Date)
"Mr. Chan's Service Agreement"	the service agreement between Mr. Chan and Techcomp Scientific dated 18 April 2018
"Mr. Guo"	Guo Bing, an individual who is indirectly and beneficially interested in 47,364,648 Shares (representing approximately 17.2% of the issued share capital of the Company as at the Latest Practicable Date)

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## DEFINITIONS

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"Mr. Lo"	Lo Yat Keung, the president, an executive Director and the controlling shareholder of the Company, who is beneficially interested in 104,956,500 Shares (representing approximately 38.1% of the issued share capital of the Company as at the Latest Practicable Date)
"Mr. Lo's Service Agreement"	the service agreement between Mr. Lo and Techcomp Scientific dated 18 April 2018
"Non-Qualifying Shareholders"	the Shareholders whose respective addresses as shown on the register of members of the Company or in the Depository Register maintained by CDP (as the case may be) as at 5:00 p.m. on the Record Date, are in places outside Hong Kong or Singapore and located in a jurisdiction the laws of which may prohibit the making of the Distribution In Specie to such Shareholder(s) or otherwise require the Company to comply with additional requirements which are (in the opinion of the Directors, subject to legal advice) unduly onerous or burdensome, having regard to the number of Shareholders involved in that jurisdiction and their shareholdings in the Company
"Offer Share(s)"	all the Share(s) in issue, other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it
"Optionholder(s)"	the 2004 Optionholder(s) and the 2011 Optionholder(s)
"Overseas Optionholder(s)"	Optionholder(s) whose addresses, as shown on the register of optionholders of the Company, are outside Hong Kong or Singapore (as the case may be)
"Overseas Shareholder(s)"	Shareholder(s) whose addresses, as shown on the register of members of the Company or in the Depository Register maintained by CDP (as the case may be) are outside Hong Kong or Singapore (as the case may be)
"PRC"	the People's Republic of China and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Privateco"	Techcomp Instrument Limited, a company incorporated in BVI with limited liability, a direct wholly-owned subsidiary of the Company as at the Latest Practicable Date, which will hold the Distributed Business

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## DEFINITIONS

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“Privateco Group”	Privateco and its subsidiaries upon completion of the Group Reorganisation
“Privateco Offer”	the possible unconditional voluntary cash offer to be made by Somerley Capital on behalf of Circle Brown to acquire all the issued Privateco Shares (other than those owned or agreed to be acquired by Circle Brown and parties acting in concert with it)
“Privateco Offer Document”	the offer and response document (in either composite or separate form) and the form of acceptance and transfer to be despatched to the Privateco Shareholders pursuant to the Privateco Offer
“Privateco Shareholder(s)”	holder(s) of the Privateco Shares
“Privateco Share(s)”	the ordinary share(s) in the share capital of the Privateco
“Purchaser” or “Offeror”	Baodi International Investment Company Ltd, a company incorporated in BVI with limited liability, which is beneficially and wholly owned by the Guarantor
“Qualifying Shareholder(s)”	the Shareholder(s) whose name(s) appear(s) on the register of members of the Company or in the Depository Register maintained by CDP (as the case may be) as at 5:00 p.m. on the Record Date, other than the Non-Qualifying Shareholders
“Record Date”	a time and date to be fixed for determining entitlements of the Shareholders to the Distribution In Specie, which shall be a date falling before the Sale and Purchase Completion Date
“Remaining Business”	as set out in the sub-section headed “Information on the Distributed Business and the Remaining Business” under the section headed “B. Proposed Group Reorganisation And Distribution In Specie Of The Privateco Shares” of this circular
“Remaining Group”	the Company and the Remaining Subsidiaries upon completion of the Group Reorganisation and the Distribution In Specie
“Remaining Subsidiaries”	the remaining subsidiaries owned by the Company upon completion of the Group Reorganisation and the Distribution In Specie, which will include all current subsidiaries of the Company other than the Privateco Group
“S\$”	Singapore dollar, the lawful currency of Singapore
“Sale and Purchase Agreements”	collectively the SPA I and the SPA II

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## DEFINITIONS

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“Sale and Purchase Completion”	completion of the sale and purchase of the Sale Shares pursuant to each of the SPA I and the SPA II
“Sale and Purchase Completion Date”	the date of the Sale and Purchase Completion, which is the fifth Business Day after the date on which all of the conditions precedent under each of the SPA I and the SPA II are satisfied or, where applicable, waived by the Purchaser and the Vendors or such other date as the Vendors, Mr. Guo and the Purchaser (as the case may be) may agree in writing
“Sale and Purchase Long Stop Date”	18 October 2018, being the day on which the period of six months commencing from the date of the Sale and Purchase Agreements expire or such later date to be agreed between the Purchaser and the Vendors or Mr. Guo (as the case may be) in writing
“Sale Shares”	any Shares referred to under the Sale Shares I and the Sale Shares II
“Sale Shares I”	an aggregate of 122,176,500 Shares, beneficially owned by the Vendors and Mr. Lo's spouse (representing approximately 44.4% of the issued share capital of the Company as at the Latest Practicable Date)
“Sale Shares II”	an aggregate of 47,364,648 Shares, beneficially owned by KCH Investment Co. Limited, the entire share capital of which is owned by Mr. Guo (representing approximately 17.2% of the issued share capital of the Company as at the Latest Practicable Date)
“Securities Account”	a securities account maintained by a Depositor with CDP, but not including a securities sub-account maintained with a Depository Agent
“Service Agreements”	collectively, Mr. Chan's Service Agreement and Mr. Lo's Service Agreement, both of which constitute a special deal under the Takeovers Code
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time

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## DEFINITIONS

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“SGM”	a special general meeting of the Company to be convened for the purpose of, among other things, considering the resolutions in respect of the Distribution In Specie, the Supply Framework Agreement, the Service Agreements, the CB Subscription Agreement, the amendment to the terms of the 2004 Share Option Scheme, the amendment to the terms of the 2011 Share Option Scheme and the respective transactions contemplated thereunder
“SGX-ST”	The Singapore Exchange Securities Trading Limited
“Share(s)”	ordinary shares of a par value of US\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s), except that for the purposes of this circular, where the holder is CDP, the term “Shareholder(s)” shall, in relation to such Shares, be deemed to be the person named as a Depositor in the Depository Register and whose Securities Account is credited with Share(s)
“Share Option(s)”	the 2004 Share Option(s) and the 2011 Share Option(s)
“SPA I”	the conditional sale and purchase agreement dated 18 April 2018 entered into between the Vendors, the Purchaser and the Guarantor in respect of the Sale Shares I as supplemented and amended on 22 June 2018
“SPA II”	the conditional sale and purchase agreement dated 18 April 2018 entered into between Mr. Guo and the Purchaser in respect of the Sale Shares II as supplemented and amended on 22 June 2018
“Somerley Capital”	Somerley Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to Circle Brown in respect of the Privateco Offer
“Supplemental CB Subscription Agreement”	the supplemental subscription agreement dated 22 June 2018 entered into between the Company, the Offeror and the Guarantor to amend and supplement certain terms of the Convertible Bonds
“Supply Framework Agreement”	the supply framework agreement dated 18 April 2018 entered into between Privateco and the Company, which constitutes a special deal under the Takeovers Code
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

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## DEFINITIONS

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"Techcomp Scientific"	Techcomp Scientific Limited, a company incorporated in BVI with limited liability, which is a direct wholly-owned subsidiary of the Company as at the Latest Practicable Date and will become one of the Remaining Subsidiaries upon completion of the Group Reorganisation and the Distribution In Specie
"Trading Day"	a day when the Hong Kong Stock Exchange is open for trading in Hong Kong
"US\$"	United States dollar, the lawful currency of the United States of America
"Vendors"	Mr. Lo and Mr. Chan
"Warrantors"	the Purchaser and the Guarantor or any one of them
"%"	per cent.

The terms "Depositor", "Depository Agent" and "Depository Register" shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore.

The English text of this circular shall prevail over its Chinese text.

For the purpose of this circular, the US\$: HK\$ currency conversion rate used is 1: 7.8.

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## LETTER FROM THE BOARD

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# TECHCOMP (HOLDINGS) LIMITED

天美(控股)有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Hong Kong Stock Code: 1298)**

**(Singapore Stock Code: T43)**

*Executive Directors*

Mr. Lo Yat Keung (*President*)

Mr. Chan Wai Shing

Mr. Christopher James O'Connor

*Registered office*

Canon's Court, 22 Victoria Street

Hamilton HM 12, Bermuda

*Independent non-executive Directors*

Mr. Seah Kok Khong, Manfred

Mr. Ho Yew Yuen

Mr. Teng Cheong Kwee

*Head Office and Place of Business in Hong*

*Kong under the Companies Ordinance*

*(Cap 622 of the Laws of Hong Kong)*

6/F., Mita Center

552-566 Castle Peak Road

Kwai Chung

Kowloon

Hong Kong

29 June 2018

*To the Shareholders and the Optionholders*

*(the information in this circular is for the Optionholders' information only)*

Dear Sir or Madam,

**(1) PROPOSED GROUP REORGANISATION AND DISTRIBUTION  
IN SPECIE OF THE PRIVATECO SHARES**

**(2) AMENDMENT TO THE TERMS OF THE 2004 SHARE OPTION SCHEME AND  
THE 2011 SHARE OPTION SCHEME AND ADJUSTMENTS TO THE  
EXERCISE PRICE OF THE SHARE OPTIONS**

**(3) POSSIBLE CONNECTED TRANSACTION IN RELATION TO  
THE ISSUE OF CONVERTIBLE BONDS UNDER THE SPECIFIC MANDATE BY  
TECHCOMP (HOLDINGS) LIMITED TO BAODI INTERNATIONAL  
INVESTMENT COMPANY LTD**

**(4) SPECIAL DEALS AND CONTINUING CONNECTED TRANSACTIONS**

### INTRODUCTION

Reference is made to the Joint Announcement in relation to, among other things, the Group Reorganisation, the Distribution In Specie, the Supply Framework Agreement, the Service Agreements, the CB Subscription Agreement, the amendment to the terms of the 2004 Share Option Scheme, and the



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## LETTER FROM THE BOARD

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amendment to the terms of the 2011 Share Option Scheme. The Distribution In Specie, the Supply Framework Agreement, the Service Agreements, the CB Subscription Agreement, the amendment to the terms of the 2004 Share Option Scheme, the amendment to the terms of the 2011 Share Option Scheme and the respective transactions contemplated thereunder, including the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares under the specific mandate, will be put forward for the Independent Shareholders' approval at the SGM. The Purchaser, the Vendors, Mr. Guo, their respective associates and parties acting in concert with any of them, the 2004 Optionholders who are Shareholders and the 2011 Optionholders who are Shareholders will abstain from voting on the relevant resolutions at the SGM.

The Board has been informed by the Vendors that on 18 April 2018, the Vendors entered into the SPA I with the Purchaser and the Guarantor relating to the Sale Shares I, and Mr. Guo entered into the SPA II with the Purchaser relating to the Sale Shares II.

The Sale and Purchase Completion is conditional upon, among others, approval from the Independent Shareholders for certain aspects of the transactions as set out in the sections headed "Conditions precedent to the SPA I" and "Conditions precedent to the SPA II" below. The completion of the Distribution In Specie and the Sale and Purchase Agreements are inter-conditional, and are expected to take place simultaneously after obtaining the relevant approvals from the Independent Shareholders at the SGM. The Privateco Offer and the Listco Offers will be made after completion of the Distribution In Specie and the Sale and Purchase Agreements. As such, the Group Reorganisation and the Distribution In Specie, together with the SPA I, the SPA II, the Listco Offers, the Privateco Offer, the Supply Framework Agreement, the Service Agreements, and the CB Subscription Agreement can be regarded as a package. Conditions precedent to completion of each of (i) the SPA I and the SPA II, (ii) the Distribution In Specie, (iii) the Privateco Offer, (iv) the Listco Offers, (v) the CB Subscription Agreement, and (vi) the Supply Framework Agreement and the Service Agreements are set out in the relevant sections below.

**On a combined basis, the transactions represent an opportunity for the Shareholders to realise a part of or their entire investment in the Company for an aggregate cash exit equal to HK\$4.107 per Share.**

The purpose of this circular is to provide you with, among other things, details of the Group Reorganisation, the Distribution In Specie, the Supply Framework Agreement, the Service Agreements, the CB Subscription Agreement, the amendment to the terms of the 2004 Share Option Scheme, the amendment to the terms of the 2011 Share Option Scheme and financial information on each of the Group and the Privateco Group, pro forma financial information on the Remaining Group, the letter of recommendation from the Independent Board Committee, the letter of advice from Amasse Capital and a notice convening the SGM.

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## LETTER FROM THE BOARD

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### A. SALE AND PURCHASE AGREEMENTS

#### *The SPA I*

**Date:** 18 April 2018

- Parties:**
- (i) Mr. Lo as one of the Vendors, who, together with his spouse, directly and beneficially hold 112,456,500 Shares, representing approximately 40.8% of the issued share capital of the Company as at the Latest Practicable Date.
  - (ii) Mr. Chan as one of the Vendors, who directly and beneficially holds 9,720,000 Shares, representing approximately 3.5% of the issued share capital of the Company as at the date of the Latest Practicable Date.
  - (iii) Baodi International Investment Company Ltd as the Purchaser. For further information, please refer to the section headed “F. Information on the parties – Information on the Offeror and the Guarantor”.
  - (iv) Yunnan Energy Investment (H K) Co. Limited as the Guarantor. For further information, please refer to the section headed “F. Information on the parties – Information on the Offeror and the Guarantor”.

#### **Subject of the SPA I**

Pursuant to the SPA I, Mr. Lo shall sell as beneficial owner of 104,956,500 Sale Shares I, Mr. Chan shall sell as beneficial owner of 9,720,000 Sale Shares I, and Mr. Lo shall procure his spouse to sell as beneficial owner of 7,500,000 Sale Shares I, and the Purchaser shall purchase or procure its nominee(s) to purchase, and the Guarantor shall procure the Purchaser to purchase, all of the Sale Shares I, free from all Encumbrances and together with all rights and benefits attaching or accruing to the Sale Shares I, including without limitation, all rights to dividends and distributions declared, made or paid on the Sale Shares I or in respect of them on or after the Sale and Purchase Completion Date. The Sale Shares I represent in aggregate approximately 44.4% of the issued share capital of the Company as at the Latest Practicable Date, and approximately 42.0% of the issued share capital of the Company assuming exercise in full of all outstanding Share Options.

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## LETTER FROM THE BOARD

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The Vendors and the Purchaser shall not be obliged to complete the sale and purchase of any of the Sale Shares I unless the sale and purchase of all of the Sale Shares I and the sale and purchase of all of the Sale Shares II contemplated under the SPA II are completed simultaneously. For further details of the SPA II, please refer to the sub-section below headed "The SPA II".

The Purchaser has confirmed that immediately before entering into the SPA I, each of the Purchaser, its ultimate beneficial owner and parties acting in concert with each of them is a third party independent of and not connected with the Company and its connected persons.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Purchaser, its ultimate beneficial owner and parties acting in concert with each of them is a third party independent of and not connected with the Company and its connected persons.

### **Consideration for the Sale Shares I**

The aggregate consideration payable by the Purchaser to the Vendors in respect of the Sale Shares I shall be HK\$399,150,625.50, equivalent to HK\$3.267 per Sale Share, which was determined after arm's length negotiations between the Purchaser and the Vendors taking into account the business performance and financial position of the Remaining Group, the Distribution In Specie and the fact that the Purchaser will obtain a controlling interest in the Company on the Sale and Purchase Completion.

The aggregate consideration shall be payable by the Purchaser to the Vendors in the following manner:

- (a) upon execution of the SPA I, the Earnest Money of HK\$15,000,000 shall continue to be held by the Escrow Agent as refundable deposits (the "Deposits") which, unless otherwise dealt with in accordance with other clauses in the SPA I, shall be released as to HK\$13,806,644.5 to Mr. Lo and as to HK\$1,193,355.5 to Mr. Chan on the Sale and Purchase Completion and such money shall be deemed as having been paid by the Purchaser as refundable deposits and be applied as part payment of the aggregate consideration at the Sale and Purchase Completion; and
- (b) upon the Sale and Purchase Completion, the remaining balance of HK\$384,150,625.50 shall be paid by the Purchaser as to HK\$353,588,741 to Mr. Lo and as to HK\$30,561,884.5 to Mr. Chan.

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## LETTER FROM THE BOARD

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### Conditions precedent to the SPA I

Completion of the SPA I is conditional upon the following conditions being fulfilled and remaining satisfied as at the Sale and Purchase Completion Date (or, where applicable, waived by the Purchaser or the Vendors as described below):

- (a) the Shares remaining listed and traded on the Hong Kong Stock Exchange and the SGX-ST, and no notification or indication being received from the Hong Kong Stock Exchange, the SGX-ST or the SFC prior to the Sale and Purchase Completion that the Company may not be suitable for listing for the purpose of the Listing Rules and the Listing Manual or that the listing of the Shares on the Hong Kong Stock Exchange or the SGX-ST (as the case may be) will or may be, for whatever reason, withdrawn or suspended for more than ten consecutive Business Days (excluding any suspension for the purpose of obtaining clearance from the SFC or the Hong Kong Stock Exchange or the SGX-ST (if applicable) for the Joint Announcement and other announcements relating to the transactions contemplated under the SPA I);
- (b) the passing by the Shareholders or, where applicable, the Independent Shareholders, at the SGM all resolutions as may be required under the Listing Rules, the Takeovers Code and/or the relevant laws and regulations, including without limitation, the relevant resolutions approving the Distribution In Specie, the Continuing Connected Transactions, the amendment to the terms of the 2004 Share Option Scheme and the transactions contemplated thereunder;
- (c) if required, all approvals, consent and acts required under the Listing Rules, the Listing Manual or other applicable laws and regulations or otherwise required from the Hong Kong Stock Exchange, the SGX-ST or other relevant regulatory authorities in connection with the Group Reorganisation having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such laws, rules, regulations and requirements having been obtained from the relevant authorities;
- (d) the fulfilment of the conditions for the Distribution In Specie (including but not limited to the Group Reorganisation having been completed) other than the condition relating to the fulfilment (or waiver) of the conditions precedent under the SPA I;
- (e) if required, all other approvals, consents and acts required under the Listing Rules, the Listing Manual or other applicable laws and regulations or otherwise required of the Group and/or the Vendors from any third parties (including banks or financial institutions) in connection with the SPA I and the transactions contemplated thereunder having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such laws, rules, regulations and requirements having been obtained from the Hong Kong Stock Exchange, the SFC, the SGX-ST (if applicable) or other relevant regulatory authorities or the relevant third parties;
- (f) the Vendors' warranties remaining true, accurate and not misleading in all respects as of the Sale and Purchase Completion Date by reference to the facts and circumstances subsisting as at the Sale and Purchase Completion Date;

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## LETTER FROM THE BOARD

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- (g) the resolution(s) set out in paragraph (b) above not having been revoked, withdrawn or otherwise becoming invalid;
- (h) the terms of the Service Agreements having remained effective;
- (i) the Privateco Group having assigned to the Remaining Group its distribution rights relating to the PRC market under the Distribution Agreements, or the Remaining Group and the relevant suppliers under the Distribution Agreements having entered into agreements, pursuant to which the relevant suppliers, upon the Sale and Purchase Completion, will continue selling their products to the Remaining Group directly on the same or substantially the same terms as the current Distribution Agreements; or if the Distribution Agreements will expire or auto-renew prior to the Sale and Purchase Completion, the Remaining Group and the relevant suppliers under the Distribution Agreements having entered into new distribution agreements which shall supersede any prior agreements or arrangement between the Remaining Group and the relevant suppliers under the Distribution Agreements;
- (j) the Remaining Group having released all bank guarantees granted to the Privateco Group;
- (k) the conditions precedent under the SPA II having been fulfilled or waived (as the case may be) (save for the condition requiring the SPA I to become unconditional);
- (l) the Privateco Group and the Remaining Group having settled all non-trade payables and receivables;
- (m) the conditions precedent set out in paragraphs (a), (d) (only in relation to the warranties of the Company remaining true and accurate as of the date of the CB Subscription Agreement), (e), (f) and (g) in the sub-section headed "Conditions precedent of the CB Subscription Agreement" under the section headed "D. Possible Connected Transaction In Relation To The Issue Of Convertible Bonds Under The Specific Mandate By The Company To The Offeror" of this circular having been fulfilled or waived (as the case may be);
- (n) the Warrantors' warranties remaining true, accurate and not misleading in all respects as of the Sale and Purchase Completion Date by reference to the facts and circumstances subsisting as at the Sale and Purchase Completion Date;
- (o) the completion of all relevant procedures required (and, if required, the obtaining of the written consent and approval) under applicable laws and regulations or otherwise required of the Purchaser from the competent authority (if applicable, including but not limited to the State Foreign Exchange Administration of the PRC and the State-owned Assets Supervision and Administration Commission of the Yunnan Provincial People's Government) in respect of the purchase of the Sale Shares I by the Purchaser and in connection with other transactions contemplated thereunder; and
- (p) the necessary approval from the Macau Trade and Investment Promotion Institute relating to the transactions contemplated under the SPA I having been obtained.

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## LETTER FROM THE BOARD

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The Vendors and the Warrantors shall collectively use their respective best endeavours to procure the fulfilment of the above condition (m) (to the extent applicable to the Vendors or the Purchaser respectively), each of the Vendors shall use his best endeavours to satisfy the above conditions (other than (k), (m), (n) and (o)) (in case of (p), the Purchaser shall provide all assistance to the Vendors or the Remaining Group as they may reasonably require) and the Warrantors shall use their best endeavours to satisfy the above conditions (k), (n), and (o) at any time on or before 5:00 p.m. on the Sale and Purchase Long Stop Date (including without limitation by making all necessary applications as soon as practicable after the signing of the SPA I and the timely supply of information to the Hong Kong Stock Exchange and/or the SFC and/or the SGX-ST). Each of the Vendors undertakes to procure the Group and the Warrantors undertake to provide all such information and documents and execute all such applications, documents and other things as may be reasonably required by the Hong Kong Stock Exchange, the SGX-ST (if applicable), the SFC or any other regulatory authority.

The Purchaser may at its absolute discretion at any time waive in writing any of the above conditions (a), (f) and (h) to (m) (to the extent that the conditions are not applicable to the Purchaser) and such waiver may be made subject to such terms and conditions as are determined by the Purchaser. The Vendors together may at their absolute discretion at any time waive in writing any of the above conditions (m) (to the extent that the conditions are not applicable to the Vendors) and (n) and such waiver may be made subject to such terms and conditions as are determined by the Vendors. Save for conditions (a), (f) and (h) to (n), all other conditions may not be waived.

If any of the conditions has not been satisfied or, where applicable, waived by the Purchaser or the Vendors (as the case may be) at or before 5:00 p.m. on the Sale and Purchase Long Stop Date, the Vendors and the Purchaser shall jointly instruct the Escrow Agent to, within three Business Days from the Sale and Purchase Long Stop Date, transfer the Deposits (and the accrued interest) to the Purchaser (or such other person as directed by the Purchaser). Upon such full repayment of the Deposits, the obligation to complete the sale and purchase of any Sale Shares I under the SPA I shall automatically terminate, whereupon all rights and obligations of the parties shall cease to have effect immediately except in respect of any accrued rights and obligations of the parties.

As at the Latest Practicable Date, condition set out in paragraph (o) to the SPA I has been fulfilled.

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## LETTER FROM THE BOARD

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### Net assets of the Remaining Subsidiaries

Following the Sale and Purchase Completion, the Vendors shall prepare the Completion Balance Sheet which shall be delivered to the Purchaser as soon as practicable and in any event within three months after the last day of the calendar month in which the Sale and Purchase Completion took place.

Within five Business Days of the final determination of the Completion Balance Sheet, if the consolidated net asset value of the Remaining Group (the “**Completion NAV**”) shall be less than HK\$230,000,000 or the net asset value of the Company shall be less than HK\$0 (the “**Listco NAV**”) as shown in the Completion Balance Sheet, the Vendors shall pay to the Purchaser an amount equivalent to the shortfall of the Completion NAV and the Listco NAV therefrom (where applicable). For the avoidance of doubt, if the Completion NAV shall be more than HK\$230,000,000 and/or the Listco NAV shall be more than HK\$0, the Purchaser shall have no obligation to make any payment to the Vendors.

Subject to Sale and Purchase Completion having duly occurred in accordance with the terms and conditions of the SPA I and the Warrantors complying with the terms of the SPA I in relation to the term of employment of Mr. Lo, in the event that each of the audited consolidated net asset value of the Remaining Subsidiaries (subject to adjustments as stipulated in the SPA I) (the “**Consolidated NAV**”) as at 31 December 2018 and 2019 and the second anniversary of the last day of the calendar month in which the Sale and Purchase Completion took place (or such other date(s) as the Purchaser and Mr. Lo may agree in writing) (the “**Guarantee Date**”) shall be less than HK\$230,000,000 respectively (being the expected minimum net asset value of the Remaining Subsidiaries as at each such date agreed between the Purchaser and Mr. Lo) (the “**Guaranteed NAV**”), Mr. Lo undertakes with the Purchaser that he shall in aggregate compensate the Purchaser such shortfall on a dollar-for-dollar basis, provided that the amount of Guaranteed NAV in respect of any subsequent financial year following the first financial year shall be reduced by an amount equivalent to the compensation received by the Purchaser (if any) in respect of the immediately preceding financial year(s) pursuant to the SPA I. For the avoidance of doubt, the Consolidated NAV shall exclude any adverse impact as a result of the application of any accounting principles in relation to the signing and performance of the CB Subscription Agreement by the Company. The Consolidated NAV shall be upward adjusted by such an amount (if any) as if there is no such adverse impact. Such compensation due (if any) should be made in cash within five Business Days after the four months after each Guarantee Date (or such later date as the Purchaser and Mr. Lo may agree in writing).

In the event that any account receivables of the Remaining Subsidiaries net of the relevant provisions made thereon as reflected in the audited accounts as at the last Guarantee Date shall remain outstanding for more than 3 years after the relevant due date for payment, the Purchaser shall be entitled to claim against the Vendors by giving a notice in writing to the Vendors at any time within 4 years after such last Guarantee Date, and the Vendors shall compensate and pay to the Purchaser an amount equivalent to such account receivables not repaid (after deducting the surplus between the Consolidated NAV as at the last Guarantee Date and the Guaranteed NAV as at the last Guarantee Date) on a dollar-for-dollar basis within 14 days after the date of such notice.

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## LETTER FROM THE BOARD

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### ***The SPA II***

**Date:** 18 April 2018

**Parties:**

- (i) Mr. Guo as the vendor, through KCH Investment indirectly holds 47,364,648 Shares, representing approximately 17.2% of the issued share capital of the Company as at the Latest Practicable Date.
- (ii) Baodi International Investment Company Ltd as the Purchaser. For further information, please refer to the section headed “F. Information on the parties – Information on the Offeror and the Guarantor”.

### **Subject of the SPA II**

Pursuant to the SPA II, Mr. Guo shall sell or procure the sale of the Sale Shares II as the beneficial owner, being 47,364,648 Shares, and the Purchaser shall purchase or procure its nominee(s) to purchase all of the Sale Shares II, free from all Encumbrances and together with all rights and benefits attaching or accruing to the Sale Shares II, including without limitation, all rights to dividends and distributions declared at or after the Sale and Purchase Completion. The Sale Shares II represent approximately 17.2% of the issued share capital of the Company as at the Latest Practicable Date and approximately 16.3% of the issued share capital of the Company assuming exercise in full of all outstanding Share Options.

Mr. Guo and the Purchaser shall not be obliged to complete the sale and purchase of any of the Sale Shares II unless the sale and purchase of all of the Sale Shares II and the sale and purchase of all of the Sale Shares I contemplated under the SPA I are completed simultaneously.

### **Consideration for the Sale Shares II**

The consideration payable by the Purchaser to Mr. Guo in respect of the Sale Shares II shall be HK\$154,740,305, equivalent to HK\$3.267 per Sale Share, which was determined after arm's length negotiations between the Purchaser and Mr. Guo taking into account the business performance and financial position of the Remaining Group, the Distribution In Specie and the fact that the Purchaser will obtain a controlling interest in the Company on the Sale and Purchase Completion.

The consideration shall be payable by the Purchaser to Mr. Guo upon Sale and Purchase Completion.



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## LETTER FROM THE BOARD

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### Conditions precedent to the SPA II

Completion of the SPA II is conditional upon the following conditions being fulfilled and remaining satisfied as at the Sale and Purchase Completion Date (or, where applicable, waived by the Purchaser as described below):

- (a) the Shares remaining listed and traded on the Hong Kong Stock Exchange and the SGX-ST, (excluding any suspension for the purpose of obtaining clearance from the SFC, the SGX-ST or the Hong Kong Stock Exchange for the Joint Announcement and other announcements relating to the transactions contemplated under the SPA II);
- (b) the approvals for the transactions contemplated under the SPA II from the State Foreign Exchange Administration of the PRC (if applicable) and the Stateowned Assets Supervision and Administration Commission of Yunnan Provincial People's Government having been obtained;
- (c) Mr. Guo's warranties remaining true, accurate and not misleading in all respects as of the Sale and Purchase Completion Date by reference to the facts and circumstances subsisting as at the Sale and Purchase Completion Date;
- (d) the Purchaser's warranties remaining true, accurate and not misleading in all respects as of the Sale and Purchase Completion Date by reference to the facts and circumstances subsisting as at the Sale and Purchase Completion Date;
- (e) the conditions precedent under the SPA I having been fulfilled or waived (as the case may be) (save for the condition requiring the SPA II to become unconditional); and
- (f) the conditions precedent set out in paragraphs (a), (d) (only in relation to the warranties of the Company remaining true and accurate as of the date of the CB Subscription Agreement), (e), (f) and (g) in the sub-section headed "Conditions precedent of the CB Subscription Agreement" under the section headed "D. Possible Connected Transaction In Relation To The Issue Of Convertible Bonds Under The Specific Mandate By The Company To The Offeror" of this circular of the CB Subscription Agreement having been fulfilled or waived (as the case may be).

Mr. Guo shall use his best endeavours to procure the fulfilment of the above condition (c) and the Purchaser shall use its best endeavours to satisfy the conditions (b) and (d) at any time on or before 5:00 p.m. on the Sale and Purchase Long Stop Date (including without limitation by making all necessary applications as soon as practicable after the signing of the SPA II and the timely supply of information to the Hong Kong Stock Exchange and/or the SFC and/or the SGX-ST or any other regulatory authority).

The Purchaser may at its absolute discretion at any time waive in writing any of the conditions above (other than conditions (b), (e) and (f) above) and such waiver may be made subject to such terms and conditions as are determined by the Purchaser.

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## LETTER FROM THE BOARD

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If any of the conditions has not been satisfied or waived by the Purchaser at or before 5 p.m. on the Sale and Purchase Long Stop Date, the SPA II shall automatically terminate and none of the parties to the SPA II shall have any claim of any nature or liabilities thereunder whatsoever against any of the other parties under the SPA II (save for any antecedent breaches of the terms thereof).

As at the Latest Practicable Date, condition set out in paragraph (b) to the SPA II has been fulfilled.

### **Sale and Purchase Completion**

The SPA I and the SPA II are inter-conditional upon each other. The Sale and Purchase Completion shall take place on the Sale and Purchase Completion Date or at such other time as may be agreed between the parties, subject to the satisfaction or, where applicable, waiver of the conditions precedent of the Sale and Purchase Agreements. Further announcement(s) will be made as soon as practicable in relation to the Sale and Purchase Completion.

### **B. PROPOSED GROUP REORGANISATION AND DISTRIBUTION IN SPECIE OF THE PRIVATECO SHARES**

#### **Group Reorganisation**

The Group Reorganisation will be implemented to prepare for the separation of the Distributed Business from the Remaining Business in order to facilitate the Distribution In Specie. The Group Reorganisation will involve, among other things, an internal transfer of interests within the Group between the Remaining Group and the Privateco Group, as a result of which the Company will hold the entire equity interest in the Remaining Subsidiaries, to facilitate the Distribution In Specie.

Upon completion of the Group Reorganisation, the Group will be split into the Remaining Group and the Privateco Group, provided that the Group Reorganisation shall be conducted on terms which are (i) in compliance with all applicable laws and regulations of all relevant jurisdictions including Hong Kong, Singapore, the United Kingdom, India, Bermuda and BVI, and (ii) where applicable, pursuant to the requirements of the Hong Kong Stock Exchange, the SFC and the SGX-ST or such other governmental or regulatory bodies or authorities of competent jurisdiction.

Pursuant to the Group Reorganisation, among other things, there will be (i) subdivision of each Privateco Share of par value US\$1.00 in the authorised shares of Privateco into 1,000 Privateco Shares of par value US\$0.001 each such that the maximum number of Privateco Shares that Privateco is authorised to issue is changed from 50,000 Privateco Shares of par value US\$1.00 each to 50,000,000 Privateco Shares of par value US\$0.001 each; (ii) subdivision of each Privateco Share of par value US\$1.00 in issue into 1,000 Privateco Shares of par value US\$0.001 each in issue such that the number of Privateco Shares in issue is changed from 50,000 Privateco Shares of par value US\$1.00 each to 50,000,000 Privateco Shares of par value US\$0.001 each; (iii) upon completion of such share sub-division, increase in the authorised maximum number of the Privateco Shares to 300,000,000 Privateco Shares of US\$0.001 each; and (iv) internal transfers of interests in the Group, as a result of which Privateco will hold the Distributed Business.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, Privateco is authorised to issue up to 50,000,000 Privateco Shares of US\$0.001 each (and 50,000,000 Privateco Shares of US\$0.001 each are in issue, all of which are directly held by the Company) and is holding the Distributed Business.

Pursuant to the SPA I, the Sale and Purchase Completion is conditional upon, among others, the Remaining Group having released all bank guarantees granted to the Privateco Group. Further, all existing corporate guarantees and securities given by the Privateco Group in favour of the Remaining Group will be released and discharged in full, conditional only upon the Sale and Purchase Completion. Save as contemplated under the SPA I and the Group Reorganisation and other than intercompany balances arising in the normal and ordinary course of business between the Remaining Group and the Privateco Group in aggregate not exceeding HK\$20,000,000, any outstanding inter-group balances between the Remaining Group and the Privateco Group will be settled in full such that there will not be any indebtedness or other non-trade related liabilities between the Remaining Group and the Privateco Group.

The Group Reorganisation will not be completed unless the Independent Shareholders' approvals have been obtained at the SGM for the Distribution In Specie, the Supply Framework Agreement, the Service Agreements, the CB Subscription Agreement, the amendment to the terms of the 2004 Share Option Scheme, the amendment to the terms of the 2011 Share Option Scheme and the respective transactions contemplated thereunder.

### **Distribution In Specie**

The Company proposes to declare and pay a dividend of approximately HK\$1.28 per Share to be satisfied wholly by the distribution of all of the Privateco Shares registered in its name to the Shareholders whose names appear on the register of members of the Company or in the Depository Register maintained by CDP (as the case may be) on the Record Date on the following basis:

**For every Share held ..... one Privateco Share**

The above dividend of approximately HK\$1.28 per Privateco Share is calculated with reference to the consolidated net asset value of the Privateco of approximately HK\$353 million based on the unaudited consolidated management account of the Privateco Group as at 31 December 2017, divided by 275,437,000 Privateco Shares currently expected to be in issue following completion of the Group Reorganisation.

For the avoidance of doubt, in the case of Shareholders (other than Non-Qualifying Shareholders) whose names appear on the Depository Register maintained by CDP as at 5:00 p.m. on the Record Date, CDP will direct the Company to transfer the Privateco Shares directly to such Depositors.

Unless requested by way of written request to the board of directors of Privateco by a holder of the Privateco Share, no share certificate will be issued in respect of the Privateco Shares upon completion of the Distribution In Specie and before the close of the Privateco Offer. No application will be made for the listing of, and permission to deal in, the Privateco Shares on the Hong Kong Stock Exchange, the SGX-ST or any other stock exchange.

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## LETTER FROM THE BOARD

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As a result of the Distribution In Specie, Privateco and its subsidiaries will cease to be subsidiaries of the Company, and the Group will continue to carry on the Remaining Business, whilst the Privateco Group will continue to carry on the Distributed Business.

It is the intention of the relevant parties that the Distribution In Specie will be completed on the same date as the Sale and Purchase Completion. Subject to the completion of the Distribution In Specie, Somerley Capital will, on behalf of Circle Brown, make the Privateco Offer in accordance with the Takeovers Code. Therefore, the Privateco Offer will be made after completion of the Distribution In Specie and the Listco Offers will be made after the Sale and Purchase Completion.

### **Conditions to the Distribution In Specie**

The Distribution In Specie will be conditional upon:

- (a) completion of the Group Reorganisation;
- (b) the passing of a Board resolution to approve the Distribution In Specie;
- (c) the passing of an ordinary resolution at the SGM to approve the Distribution In Specie; and
- (d) the fulfilment of the conditions for the Sale and Purchase Agreements (save for the condition requiring the fulfilment of the conditions of the Distribution In Specie in paragraph (d) above under the sub-section headed "Conditions precedent to the SPA I" under the section headed "A. Sale And Purchase Agreements" in this circular).

None of the above conditions can be waived. As at the Latest Practicable Date, condition (b) above has been fulfilled.

The Vendors, Mr. Guo and their respective associates and parties acting in concert with any of them will abstain from voting on the relevant resolution(s) regarding the Distribution In Specie, which will be voted on by Independent Shareholders by way of poll at the SGM.

### **Qualifying Shareholders and Non-Qualifying Shareholders**

The Distribution In Specie will be available to the Shareholders whose names appear on the register of members of the Company or in the Depository Register maintained by CDP (as the case may be) on the Record Date, but will not be extended to any Non-Qualifying Shareholders, in other words, the Shareholders whose respective addresses as shown on the register of members of the Company or in the Depository Register maintained by CDP (as the case may be) as at 5:00 p.m. on the Record Date, are in places outside Hong Kong or Singapore and located in a jurisdiction the laws of which may prohibit the making of the Distribution In Specie to such Shareholder(s) or otherwise require the Company to comply with additional requirements which are (in the opinion of the Directors, subject to legal advice) unduly onerous or burdensome, having regard to the number of Shareholders involved in that jurisdiction and their shareholdings in the Company.

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## LETTER FROM THE BOARD

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### Shareholders' Entitlements to the Privateco Shares by way of the Distribution In Specie

- (a) **Entitlements to Privateco Shares.** Pursuant to the Distribution In Specie, a Qualifying Shareholder will receive one Privateco Share for each Share held by him as at the Record Date.
- (b) **Shareholders (being Depositors) whose Shares are deposited with CDP.** In the case of Shareholders (being Depositors), entitlements to the Privateco Shares will be determined on the basis of the number of Shares standing to the credit of their respective Securities Accounts as at the Record Date. Shareholders (being Depositors) are requested to take the necessary action to ensure that the Shares owned by them are credited to their Securities Accounts by the Record Date.
- (c) **Shareholders whose Shares are not deposited with CDP.** In the case of Shareholders whose Shares are not deposited with CDP, entitlements to the Privateco Shares will be determined on the basis of their holdings of Shares appearing in the register of members of the Company as at the Record Date. Such Shareholders who have not already done so are requested to take the necessary action to ensure that the Shares owned by them are registered in their names or in the names of their nominees in the register of members of the Company by the Record Date.
- (d) **Investors whose Shares are held through a finance company and/or a Depository Agent.** In the case of investors who hold Shares through a finance company and/or a Depository Agent, entitlements to the Privateco Shares will be determined on the basis of the number of Shares held by the finance companies and/or the Depository Agents on behalf of such investors as at the Record Date.

### Overseas Shareholders

Based on the register of members of the Company and the Depository Register maintained by CDP (as the case may be), as at 25 June 2018, there were a total of eight Shareholders whose addresses were outside Hong Kong or Singapore, namely the PRC, Indonesia, Japan, Malaysia and Canada, with a total shareholding of 1,467,060 Shares, representing in aggregate approximately 0.533% of the total number of issued Shares as at 5:00 p.m. on 25 June 2018. The Company has been advised by its legal advisers on the laws of the PRC, Indonesia, Japan, Malaysia and Canada and notes that there are no legal restrictions that would apply to the eight Shareholders under the applicable legislation of the PRC, Indonesia, Japan, Malaysia and Canada with respect to the Distribution In Specie.

Therefore, as at 25 June 2018, there are no Shareholders whose respective addresses as shown on the register of members of the Company or in the Depository Register maintained by CDP (as the case may be), are in places outside Hong Kong or Singapore and located in a jurisdiction the laws of which may prohibit the making of the Distribution In Specie to such Shareholder(s) or otherwise require the Company to comply with additional requirements which are (in the opinion of the Directors, subject to legal advice) unduly onerous or burdensome.

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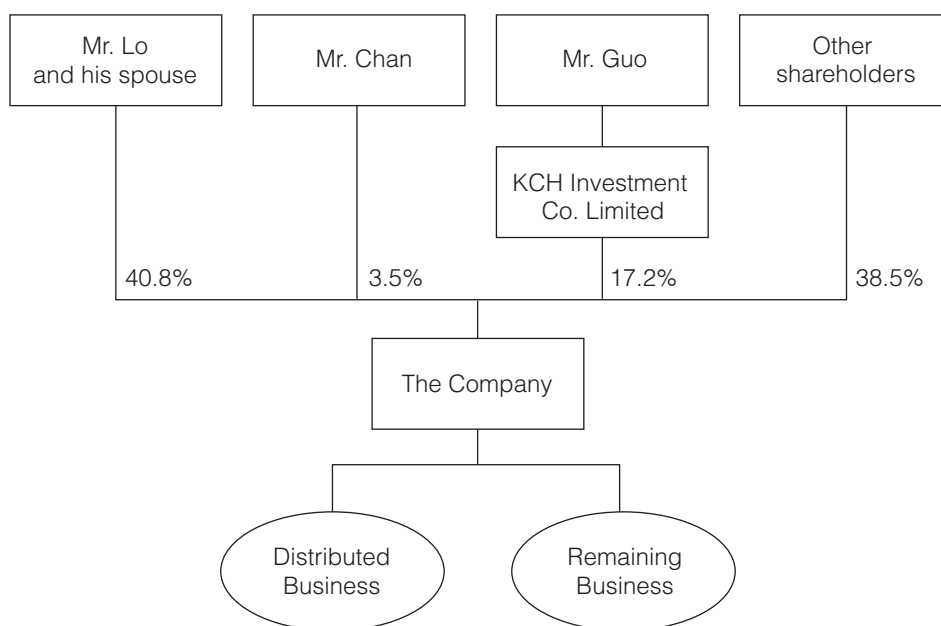
## LETTER FROM THE BOARD

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Notwithstanding the legal advice taken by the Company, it is the responsibility of the Overseas Shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction). Overseas Shareholders who are in doubt as to their position should consult their own professional advisers.

### Group structure

The chart below shows a summarised structure of the Group as at the Latest Practicable Date:



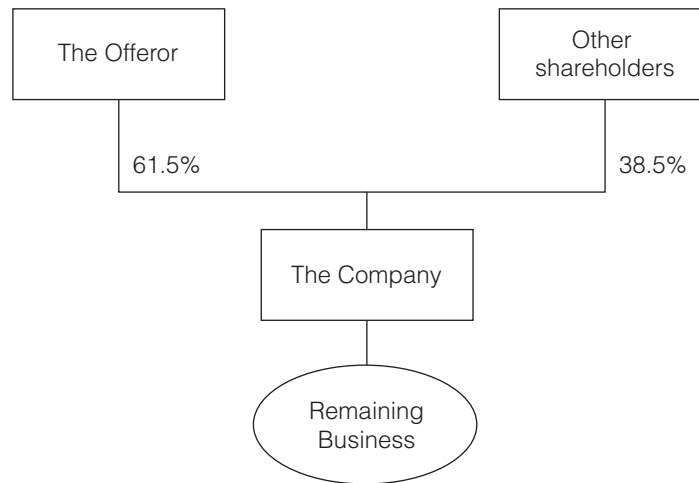
The charts below summarise the respective structure of the Privateco Group and the Remaining Group immediately after completion of the Group Reorganisation, the Distribution In Specie, the Sale and Purchase Completion, but before commencement of the Listco Offers and the Privateco Offer (assuming no other changes in the shareholding structure of the Group during this period):

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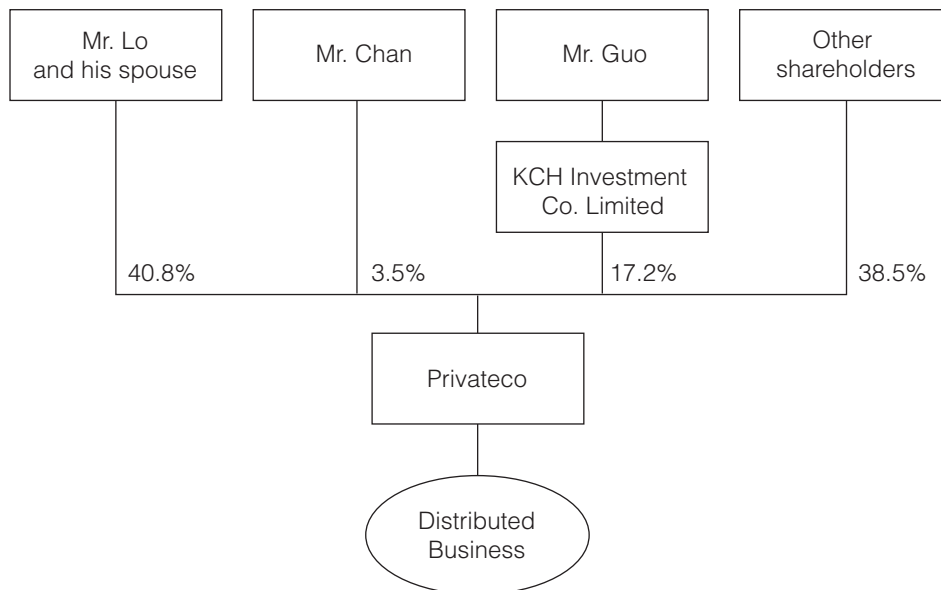
## LETTER FROM THE BOARD

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### The Remaining Group



### The Privateco Group



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## LETTER FROM THE BOARD

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### Information on the Distributed Business and the Remaining Business

As at the Latest Practicable Date, the Group is principally engaged in the Distributed Business and the Remaining Business.

The Distributed Business to be operated by the Privateco Group will consist of the business of the Group other than the Remaining Business. This includes the design, development, manufacturing of various analytical instruments under the Privateco Group's own brands such as "Techcomp", "Dynamica", "Edinburgh Instrument", "Froilabo", "Precisa" and "Scion", and the distribution and provision of after-sales services for analytical instruments manufactured by third parties, primarily outside the PRC. The Privateco Group operates manufacturing facilities in the PRC, the US and Europe. Pursuant to the Group Reorganisation, shareholding interests in the members of the Group other than the Remaining Subsidiaries will be transferred to the Privateco Group.

The Remaining Business under the Remaining Group will be engaged in the distribution and after-sales services for third party brands such as "Amtek", "BioPek", "Bruker", "Coy", "Edax", "Hermle", "Hitachi", "Kurabo", "Millrock", "Nuair", "Oxford", "Park", "Sonic", "Tomy" and "Uvp", as well as brands owned by the Distributed Business, primarily in the PRC. The Remaining Group has established its operations in the PRC over 28 years ago, and as at the Latest Practicable Date, it has a wide distribution presence in the PRC with 14 offices and over 300 employees. The Remaining Group has a wide distribution presence in the PRC with offices in Beijing, Shenzhen, Lanzhou, Chengdu, Chongqing, Fuzhou, Guangzhou, Jinan, Shanghai, Shenyang, Tianjin, Wuhan, Yunnan and Xian. Staff of the Remaining Group includes experienced senior management with long service tenures, over 100 sales and market representatives, and over 80 service engineers, which possess relevant technical knowledge required to provide services to customers, including discussions with potential customers on product specifications, provision of after-sale services including testing, training and maintenance services. The Remaining Group offers a broad range of scientific instruments including chromatographs, spectrophotometers, electronic microscopes, life science and general laboratory instruments, with specialised and customised hardware and software, to provide solutions and facilitate scientific analysis and testing for a variety of businesses and institutions, including universities, research institutions, companies in the industrial sector and government agencies. The Remaining Group intends to focus its distribution capabilities on sales in the PRC and source certain products from the Privateco Group as a supplement to the above mentioned third party products, as further detailed in the sub-section headed "Supply Framework Agreement" under the section headed "E. Special Deals And Continuing Connected Transactions" in this circular.

Both the Remaining Group and the Privateco Group will distribute Techcomp-branded products (i.e. those that are manufactured by the Privateco Group), as well as third-party products (which will be sourced independently by each of the Remaining Group and the Privateco Group) in future.

The Remaining Group, which will possess the sales network and relevant personnel in the PRC, will principally focus on its business in the PRC. The sales offices, inventory logistics system and warehouses, and sales/marketing/servicing/training personnel in the PRC, which are all essential parts of the Group's businesses in the PRC, will remain in the Remaining Group after the Distribution In Specie.



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## LETTER FROM THE BOARD

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Depending on the requirements from customers (including specification of instruments, price that the customers can afford, etc), the Remaining Group will source products from third party suppliers, or the Privateco Group, as appropriate. It has done so historically – as set out in the section headed “Supply Framework Agreement”, the unaudited historical transaction amounts in this respect between the Remaining Group and the Privateco Group for the financial years ended 31 December 2015, 2016 and 2017 were approximately US\$19.1 million, US\$23.0 million and US\$27.8 million, respectively.

The dependency on the Privateco Group has not been significant – in 2017 approximately 23.2% of the Remaining Group’s cost of goods sold were related to products sourced from the Privateco Group, on the basis of the unaudited pro forma financial information of the Remaining Group for the financial year ended 31 December 2017, as set out in Appendix V to this circular.

The key value for the Remaining Group lies in the provision of technical services to its customers, including design of system specifications, formulation of testing standard requirements against customers’ budgets, installation of equipment and relevant systems, on-site after-sale services, etc. The Remaining Group has a long established business in the PRC market, and believes that its sales network developed over many years cannot easily be replicated.

In contrast, the Privateco Group will focus primarily on the design, development and manufacturing of scientific instruments and its sales overseas (outside of the PRC), with its manufacturing plants located in Shanghai, the United States and Europe. It has more than 110 sales, marketing and service personnel in its offices in Asia, Europe and US, 20 of which are mainly product specialists in PRC for locally manufactured products (in its plant in Shanghai) to support global distributors including the Remaining Group. The Privateco Group also has a dedicated research and development team for its own-branded products.

The Privateco Group does not have any direct sales office in the PRC. If a customer in the PRC approaches the Privateco Group for a particular product, the Privateco Group could only sell such product through the Remaining Group under the Supply Framework Agreement, or have a separate local distributor support the customer. The Privateco Group, without appropriate personnel in the PRC, could not itself provide any after-sale services, including testing, training and maintenance services, to its PRC customers.

For the above reason, sales of existing products manufactured by the Privateco Group in the PRC will likely rely on the Remaining Group, through future sales to the Remaining Group under the Supply Framework Agreement. The Remaining Group, on the other hand, will not be obligated to purchase any products from the Privateco Group, or to market such products to the customers of the Remaining Group in the PRC.

Upon completion of the Distribution In Specie, and on the basis of the nature of business of each of the Remaining Group and the Privateco Group, the geographic focus will be substantially different. In addition, a subsidiary of the Privateco has unconditionally undertaken that it shall not develop any new PRC sales channel from the date of the Sale and Purchase Completion Date until 31 December 2020 (the “**Period**”), unless written consent has been provided by the Remaining Group. Mr. Lo has further unconditionally undertaken that he shall not, and shall procure companies directly/indirectly controlled by him (save and except that Mr. Lo ceases to have control over any of the relevant companies during the Period) not to develop any new PRC sales channel during the Period, unless written consent has been provided by the Remaining Group. However, there can be no confirmation as to whether there may be any competition between the Remaining Group and the Privateco Group in future, as the two businesses are set to have different controlling shareholders, going forward.

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## LETTER FROM THE BOARD

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### **Distribution Agreements**

The Group, through the Privateco Group, has historically entered into Distribution Agreements with suppliers of certain scientific instruments, and prior to completion of the SPA I relevant distribution rights will be assigned, or relevant agreements will be signed with relevant suppliers, by the Group, to govern the Remaining Group's ability to source products from such suppliers in future.

It is for that reason that completion of the SPA I is conditional on, among others, the Privateco Group having assigned to the Remaining Group its distribution rights relating to the PRC market under the Distribution Agreements, or the Remaining Group and the relevant suppliers under the Distribution Agreements having entered into agreements, pursuant to which the relevant suppliers, upon the Sale and Purchase Completion, will continue selling their products to the Remaining Group directly on the same or substantially the same terms as the current Distribution Agreements; or if the Distribution Agreements will expire or auto-renew prior to the Sale and Purchase Completion, the Remaining Group and the relevant suppliers under the Distribution Agreements having entered into new distribution agreements which shall supersede any prior agreements or arrangement between the Remaining Group and the relevant suppliers under the Distribution Agreements.

The intention is for the Remaining Group to have sufficient time to enter into new distribution agreements following completion of the Distribution In Specie, and while new distribution agreements have not yet been signed, to be able to source under the existing Distribution Agreements which involve the PRC market.

The Privateco Group and the Remaining Group will distribute third-party products in future on the basis of different geographic areas of focus, as set out above. The Remaining Group has its own team to continue to undertake its businesses in the PRC, while the Privateco Group has its separate team of sales, marketing and service personnel in its offices in Asia, Europe and US to continue its distribution business outside of the PRC and its manufacturing business. The two groups would conduct their own purchases from third party distributors separately. The Privateco Group does not have any direct sales office in the PRC. If a customer in the PRC approaches the Privateco Group for a particular product, the Privateco Group could only sell such product through the Remaining Group under the Supply Framework Agreement, or to have a separate local distributor for the sales and servicing support to the customer. The Privateco Group, without appropriate personnel in the PRC, could not itself provide any after-sale services, including testing, training and maintenance services, to PRC customers. A subsidiary of the Privateco has unconditionally undertaken that it shall not develop any new PRC sales channel during the Period, unless written consent has been provided by the Remaining Group. Mr. Lo has further unconditionally undertaken that he shall not, and shall procure companies directly/indirectly controlled by him (save and except that Mr. Lo ceases to have control over any of the relevant companies during the Period) not to develop any new PRC sales channel during the Period, unless written consent has been provided by the Remaining Group. The Privateco Group and Mr. Lo currently do not have plans to develop PRC sales channels after 31 December 2020.

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## LETTER FROM THE BOARD

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### Plan for the Remaining Business

The Remaining Group established its operations in the PRC almost 30 years ago. It offers a broad range of scientific instruments, including customised hardware and software, to provide solutions and facilitate scientific analysis for a variety of businesses in the PRC. Over the years, the Remaining Group has developed (a) long-term business relationships with its major suppliers; (b) an extensive customer base and a core competency in servicing customers in the PRC; and (c) a vast sales network, distribution and logistics infrastructure and a team of professionals associated with it. The Offeror expects to continue and grow the Remaining Business after completion of the Distribution In Specie. Further details of the future intentions of the Offeror in relation to the Company are set out in Appendix I to this circular.

### Financial information of the Privateco Group

Set out below is the audited combined financial information of the Privateco Group for each of the three years ended 31 December 2017 extracted from the accountant's report of Privateco as set out in Appendix III to this circular:

	<b>Year ended 31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	(Audited)	(Audited)	(Audited)
Revenue	81,638	72,904	76,080
Gross profit	29,237	25,735	28,147
Loss before taxation	(3,597)	(13,153)	(4,184)
Loss for the year attributable to owners of the Privateco	(3,276)	(12,733)	(3,761)
	<b>As at 31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	(Audited)	(Audited)	(Audited)
Equity attributable to owners of Privateco	(28,140)	(25,702)	(13,245)

Upon completion of the Group Reorganisation, Privateco will hold the Distributed Business.

Following completion of the Distribution In Specie, although the Listing Rules will no longer apply to Privateco, because of its private nature, the interests of the Privateco Shareholders will be safeguarded primarily by the proposed memorandum and articles of association of Privateco and provisions regarding minority shareholders' interest protection under BVI Business Companies Act 2004 (as amended), and Privateco is still governed by the Takeovers Code as long as it is still a public company in Hong Kong. For a summary of certain provisions of the new memorandum and articles of association of Privateco which will be adopted on or before completion of the Distribution In Specie, please refer to Appendix VIII to this circular.

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## LETTER FROM THE BOARD

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### **Reasons for and effects of the Group Reorganisation and the Distribution In Specie**

As set out in Company's annual report for the year ended 31 December 2017, the PRC is the leading market for the Group's business, contributing approximately 73.0% of the Group's total revenue. The Remaining Business constitutes the Group's mature distribution business in the PRC, including distribution and aftersales services in this geographic market.

As set out in the section above, the Group's manufacturing business of own-brand laboratory instruments will not be included in the Remaining Business. Management of the Group has made efforts to grow the manufacturing business in recent years by way of business acquisitions in the PRC, Europe and the US, with the strategic goal of expanding production facilities and increasing the scale of the Group's manufacturing activities to benefit from better economies of scale, thereby reducing costs of production. Expansion of the manufacturing arm was achieved partly by vertical integration through the acquisition of manufacturers such as HCC S.A.S in France (2009) and Precisa Gravimetrics AG in Switzerland (2010). The manufacturing business has always been managed separately from the distribution business. However, consistent levels of profitability were not achieved. The integration of acquired businesses and with it the capturing of a larger market share in relevant markets proved challenging. This was partly due to a continuing increase in expenditures related to product development costs and new business lines previously introduced. In particular, significant expenses relating to research and development were incurred in the past few years, but the relevant research results did not translate into a significant breakthrough or an increase in revenue of the Privateco Group. In addition, the Group relocated the manufacturing facilities for the production of gas chromatograph, which the Group acquired in late 2014, from the United States to Europe in 2016. Such relocation and the re-establishment of supply chain for this business division caused a loss of approximately US\$7 million in 2016, higher than that of 2015. Given the above, management of the Group has continued to focus its efforts on increasing the operational efficiency of its own-brand manufacturing product lines, with a view to the manufacturing business increasingly contributing to the overall profitability of the Group in the future. However, this was met only with limited success.

Against this backdrop, during negotiations between the parties to each of the SPA I and the SPA II, the Purchaser has expressed its wish not to acquire the Distributed Business, and Mr. Lo has used the negotiations with the Purchaser as an opportunity to consider a restructuring of the business such that the manufacturing arm would not form part of the Group following completion of the Group Reorganisation and the Distribution In Specie. In addition, the Purchaser, in line with its strategy to bring higher technology products to the PRC market, does not wish to acquire the Group's manufacturing operation, which has relatively lower marketability prospects and profitability.

**The Group Reorganisation and the Distribution In Specie, together with the SPA I, the SPA II, the Listco Offers, the Privateco Offer, the Supply Framework Agreement, the Service Agreements, and the CB Subscription Agreement can be regarded as a package. None of the aforementioned will proceed unless the Independent Shareholders approve the Distribution In Specie, the Supply Framework Agreement, the Service Agreements, the CB Subscription Agreement, the amendment to the terms of the 2004 Share Option Scheme, the amendment to the terms of the 2011 Share Option Scheme and the respective transactions contemplated thereunder at the SGM.**

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## LETTER FROM THE BOARD

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As opposed to an outright disposal of the Distributed Business to Mr. Lo, the Distribution In Specie and the Privateco Offer together provide an opportunity for the Independent Shareholders to keep or, through the Privateco Offer which will be unconditional when made, to realise in cash their investments in the Distributed Business. The Privateco Offer provides an alternative to the Independent Shareholders to realise all or part of their shareholdings in Privateco in cash at HK\$0.84 per Privateco Share, which is not a listed security and will have less liquidity than listed securities. Following the Sale and Purchase Completion and the Distribution In Specie, the Purchaser is obliged to make the Listco Offers, at HK\$3.267 per Offer Share and at respective “see-through” Listco Option Offer Price per Share Option (please refer to the Appendix I to this circular for further information). The combined result of the Privateco Offer and the Listco Share Offer will provide an opportunity for the other Shareholders to realise their investment in the Company at a combined price of HK\$4.107 (if they opt to accept both the Privateco Offer and the Listco Share Offer), which represents premiums of approximately 67.0% and 63.0% over the closing price of HK\$2.46 per Share on the Last Trading Day and the last closing price of HK\$2.52 per Share on 22 May 2017, being the day immediately before the MOU Announcement.

The Board (excluding the Independent Board Committee which will provide its recommendations after considering the advice of the Independent Financial Adviser in the relevant offer documents), having regard to the average closing prices of the Shares in the past three years, which have, on average, been traded at a price substantially lower than the aggregate price of the Listco Share Offer and the Privateco Offer, and in view of the Vendors’ expression that they intend to retain the Distributed Business, considers that it is in the interests of the Independent Shareholders to be provided with an opportunity to consider and, if thought fit, approve the relevant resolution for the Distribution In Specie at the SGM. The Listco Option Offer provides an opportunity for the Optionholders to realise their Share Options at respective “see-through” Listco Option Offer Prices.

The Group Reorganisation is a pre-condition for achieving the Distribution In Specie, which leads to the Privateco Offer. In addition, the passing of an ordinary resolution by the Independent Shareholders at the SGM to approve the Distribution In Specie, as a condition precedent to the Sale and Purchase Completion, will ultimately lead to the Listco Offers. In order to facilitate the Distribution In Specie, the Board proposes that the Group Reorganisation be implemented.

Save for the Group Reorganisation and the Distribution In Specie, as at the Latest Practicable Date, the Company has not entered into any other agreements, arrangements, understandings, intention or negotiations about any acquisition and/or disposal of assets or businesses, or termination and/or shrinking of any business of the Group, other than in its ordinary course of business.

The Board is of the view that, immediately upon completion of the Group Reorganisation, the Sale and Purchase Agreements and the Distribution In Specie, the Group (with the Remaining Business) will have a sufficient level of operations and tangible assets of sufficient value to warrant the continuing listing of the Shares.

**Shareholders and Optionholders are reminded to read the recommendations of the Independent Board Committee and the advice of the Independent Financial Adviser in respect of the Listco Offers that will be included in the Listco Offer Document before deciding whether or not to accept the Listco Offers, and the advice of the Independent Financial Adviser in respect of the Privateco Offer that will be included in the Privateco Offer Document before deciding whether or not to accept the Privateco Offer.**

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## LETTER FROM THE BOARD

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### **Listing Rules Implications**

Although the Distribution In Specie does not constitute a transaction under Chapter 14 of the Listing Rules, the Company will take such measures required under Chapter 14 in order to protect the interests of the Independent Shareholders. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules is expected to be more than 25% but less than 75%, the Distribution In Specie would be similar to a major disposal for the Company under Chapter 14 of the Listing Rules. The Distribution In Specie will also be subject to the passing of an ordinary resolution by the Independent Shareholders by way of poll at the SGM. The Purchaser, the Vendors, their respective associates and parties acting in concert with any of them will abstain from voting on the relevant resolution(s) regarding the Distribution In Specie.

### **C. AMENDMENT TO THE TERMS OF THE 2004 SHARE OPTION SCHEME AND THE 2011 SHARE OPTION SCHEME AND ADJUSTMENTS TO THE EXERCISE PRICE OF THE SHARE OPTIONS**

#### **Amendment to the terms of the 2004 Share Option Scheme**

Under the existing terms of the 2004 Share Option Scheme, if a variation in the issued share capital of the Company shall take place or if the Company shall make a declaration of a dividend (whether interim or final and whether in cash or in specie), then the terms of the 2004 Share Options or the 2004 Scheme Shares (as the case may be) may be adjusted in such a manner as the 2004 Share Option Scheme Committee may determine to be appropriate, and upon the written confirmation of the auditors of the Company for the time being (the “**Auditors**”) (acting only as experts and not as arbitrators) that in their opinion, such adjustment is fair and reasonable.

To better reflect the position under the note to Rule 17.03(13) of the Listing Rules, the Directors propose to amend the 2004 Share Option Scheme to provide that any adjustments to the 2004 Share Options pursuant to Rule 8.1 of the 2004 Share Option Scheme be confirmed by an independent financial adviser or the Auditors as satisfying the requirements set out in the applicable Listing Rules.

The proposed amendment to the terms of the 2004 Share Option Scheme will be subject to approval by the Independent Shareholders at the SGM, and written consent of such number of 2004 Optionholders who, if they exercised their 2004 Share Options in full, would be entitled to not less than three-quarters in nominal value of all the 2004 Scheme Shares which would be allotted upon the exercise in full of all outstanding 2004 Share Options.

In accordance with the terms of the 2004 Share Option Scheme, the 2004 Optionholders who are Shareholders must abstain from voting on the Shareholders' resolution relating to the amendment of the 2004 Share Option Scheme at the SGM.

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## LETTER FROM THE BOARD

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### **Amendments to the terms of the 2011 Share Option Scheme**

Under the existing terms of the 2011 Share Option Scheme, any alteration to (i) the number of the Shares subject to the 2011 Share Options remaining unexercised; or (ii) the exercise price of the Shares subject to the 2011 Share Options remaining unexercised; or (iii) the Shares to which the 2011 Share Options relates; or (iv) the method of exercise of the 2011 Share Options or any combination thereof requires a written confirmation from the Auditors or an independent financial adviser that in their opinion such adjustment is fair and reasonable and satisfy the requirements set out in the note to Rule 17.03(13) of the Listing Rules.

To better reflect the position under the note to Rule 17.03(13) of the Listing Rules and to clean up certain outdated rules in the 2011 Share Option Scheme, the Directors propose to amend the 2011 Share Option Scheme to provide that any adjustments to the 2011 Share Options pursuant to Rule 10.1 of the 2011 Share Option Scheme be confirmed by an independent financial adviser or the Auditors as satisfying the requirements set out in the applicable Listing Rules, and to reflect that certain Singaporean laws and regulations are no longer applicable to the 2011 Share Option Scheme.

The proposed amendments to the terms of the 2011 Share Option Scheme will be subject to approval by the Independent Shareholders at the SGM pursuant to Rule 12 of the 2011 Share Option Scheme. Although it is not required under the terms of the 2011 Share Option Scheme, the Directors will take a prudent approach and obtain written consent from such number of 2011 Optionholders who, if they exercised their 2011 Share Options in full, would be entitled to not less than three-quarters in nominal value of all the 2011 Scheme Shares, which would be allotted upon the exercise in full of all outstanding 2011 Share Options for approving the proposed amendments to the terms of the 2011 Share Option Scheme.

In accordance with the terms of the 2011 Share Option Scheme, the 2011 Optionholders who are Shareholders must abstain from voting on the Shareholders' resolution relating to the amendments of the 2011 Share Option Scheme at the SGM.

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## LETTER FROM THE BOARD

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### Adjustments to the exercise price of the Share Options

Pursuant to the 2004 Share Option Scheme and the 2011 Share Option Scheme and in compliance with the requirements of Rule 17.03(13) of the Listing Rules, the exercise prices applicable to the 15,473,000 outstanding Share Options prior to the completion of the Distribution In Specie (assuming that none of the outstanding Share Options are exercised) are to be adjusted as follows upon completion of the Distribution In Specie:

	<b>Date of grant</b>	<b>Number of outstanding Share Options prior to completion of the Distribution In Specie (assuming that no outstanding Share Options are exercised)</b>	<b>Subscription price before adjustment</b>	<b>Subscription price after adjustment</b>
<b>2004 Share Option Scheme</b>	15 April 2008	135,000	S\$0.26	S\$0.12
	2 March 2009	1,270,500	S\$0.16	S\$0.07
	22 May 2009	150,000	S\$0.16	S\$0.07
	11 January 2010	5,442,500	S\$0.23	S\$0.09
	6 January 2011	6,775,000	S\$0.42	S\$0.28
	<b>Sub-total</b>	<b>13,773,000</b>		
<b>2011 Share Option Scheme</b>	22 January 2015	1,700,000	HK\$2.00	HK\$1.16
	<b>Total</b>	<b>15,473,000</b>		

In accordance with the note to Rule 17.03(13) of the Listing Rules, the Company has engaged Amasse Capital, an independent financial adviser which has issued a written confirmation to the Directors confirming, inter alia, that the adjustment of the exercise price per share of the outstanding Share Options satisfies the requirements set out in the note to Rule 17.03(13) of the Listing Rules.

Save for the above adjustments, the amendments to the 2004 Share Option Scheme and the 2011 Share Option Scheme, as described above, and any other consequential amendments to the 2004 Share Option Scheme and the 2011 Share Option Scheme, all other terms and conditions of the outstanding Share Options remain unchanged.



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## LETTER FROM THE BOARD

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### **D. POSSIBLE CONNECTED TRANSACTION IN RELATION TO THE ISSUE OF CONVERTIBLE BONDS UNDER THE SPECIFIC MANDATE BY THE COMPANY TO THE OFFEROR**

On 18 April 2018, the Company, the Offeror and the Guarantor entered into the CB Subscription Agreement (as supplemented and amended by the Supplemental CB Subscription Agreement entered into on 22 June 2018) pursuant to which the Company has agreed to issue, and the Offeror has agreed to subscribe, in cash, for the Convertible Bonds.

As disclosed in the joint announcement published by the Company and the Offeror on 22 June 2018, as a result of the Executive's comments on certain terms of the CB Subscription Agreement, the principal amendments contemplated under the Supplemental CB Subscription Agreement are as follows:

#### **Conversion price**

In the CB Subscription Agreement, the initial Conversion Price was equal to US\$0.3350 (equivalent to HK\$2.613) per Conversion Share, subject to relevant adjustment provisions, representing a discount of 20% to the Listco Share Offer Price.

In the Supplemental CB Subscription Agreement, the initial Conversion Price will be equal to US\$0.41885 (equivalent to HK\$3.267) per Conversion Share ("**Conversion Price**"), subject to relevant adjustment provisions, which is the same as the Listco Share Offer Price.

The principal amount in the Supplemental CB Subscription Agreement will be determined with reference to the Listco Share Offer Price with no discount. As a result, depending on the level of valid acceptances under the Listco Share Offer, the principal amount would be in the range of zero (i.e. where the Offeror acquires all the Offer Shares) up to a maximum amount of US\$32,482,307 (i.e. where no Independent Shareholder accepts the Listco Share Offer or lapse of the Listco Share Offer), instead of US\$25,985,846, which was based on a discount of 20% to the Listco Share Offer Price.

#### **Maturity date**

The Convertible Bonds in the CB Subscription Agreement were to mature five years from the date of issue of the Convertible Bonds.

The Convertible Bonds in the Supplemental CB Subscription Agreement will mature on the first anniversary from the date of issue of the Convertible Bonds.

#### **Transferability**

In the CB Subscription Agreement, the Convertible Bonds were freely transferable and assignable.

In the Supplemental CB Subscription Agreement, the Convertible Bonds are not transferable nor assignable.

Save for the amendments as disclosed above, all provisions of the CB Subscription Agreement shall remain in full force and effect. There are no other changes to the terms of the CB Subscription Agreement.

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## LETTER FROM THE BOARD

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Other principal terms of the Convertible Bonds are summarised as below:

Principal amount:

To be determined based on the following formula:

$$\text{Principal amount} = (T - B) / (1 - 70\%)$$

T means US\$80,756,350, equivalent to the balance of the initial principal amount of the Convertible Bonds (i.e. the multiple of (i) 70% of the number of outstanding Shares and (ii) the US\$ equivalent of the Listco Share Offer Price, which equals 275,437,000 shares X 70% X HK\$3.267/7.8 = US\$80,756,010. Such amount is slightly adjusted to US\$80,756,350 to account for any rounding differences.)

B means the total consideration payable by the Offeror to 1) the Vendors under the SPA I and Mr. Guo under the SPA II; and (2) the Independent Shareholders who have validly accepted the Listco Share Offer at the close of the Listco Share Offer, being the number of Shares represented by such acceptances multiplied by the Listco Share Offer Price (For avoidance of doubt, such amount does not include the consideration payable for valid acceptances of the Listco Option Offer). Such amount shall be converted from HK\$ to US\$ at US\$1 to HK\$7.8. As at the Latest Practicable Date, such amount is yet to be confirmed and may be higher than T. In case B is higher than T (which means the Offeror has obtained more than 70% shareholding of the Company upon the Sales and Purchases Completion and close of the Listco Share Offer, but before the subscription of the Convertible Bonds) and rendered the principal amount to be below zero, the parties will not proceed with the subscription of the Convertible Bonds in accordance with the terms of the CB Subscription Agreement.

The difference of T and B is divided by (1 – 70%), the returning principal amount of the Convertible Bonds will allow the Offeror to obtain 70% shareholding of the Company upon conversion of such Convertible Bonds, if any, at the Conversion Price.

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## LETTER FROM THE BOARD

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### Interest:

The Convertible Bonds will bear interest on the outstanding principal amount thereof from the date of issue at a rate equal to 3.5% per annum, which will be payable at the end of each month commencing on the date of the issue of the Convertible Bond (the “**Interest Payment Date**”). All outstanding interest accrued shall be paid in full on the Maturity Date. Interest on the Convertible Bond shall accrue from day to day and shall be calculated at simple interest on the basis of the actual number of days elapsed and a year of 365 days (including the first and the last days of the period during which it accrues). Interest on the Convertible Bond not held for the whole of the period between any two successive Interest Payment Dates shall be calculated on a pro rata basis. All interest amounts shall be rounded to the nearest cent, half a cent being rounded down.

If the Company does not pay any sum payable under the Convertible Bond when due, it shall pay interest on such sum outstanding in respect of that overdue sum at the rate of 3% per annum for the period beginning on its due date and ending on the date of actual payment. Such interest shall accrue from day to day on the basis of the actual number of days elapsed and a year of 365 days (including the first and the last days of the period during which it accrues) and shall be payable on demand.

If the bondholder has converted part or the whole of the principal amount of the Convertible Bond, the bondholder shall be entitled to interest in respect of such part or whole, as the case may be, of the principal amount of the Convertible Bond for the period from the immediately preceding Interest Payment Date or the date of issue of the Convertible Bond (whichever is the later) to and up to (but excluding) the Conversion Date concerned.

### Conversion rights:

The bondholder will have the right, on any Business Day during the period commencing from the date of issue of the Convertible Bonds to the Maturity Date to convert the whole or part of the principal amount of the Convertible Bonds (in amounts of not less than US\$1,000,000 at any one time, unless the outstanding principal amount of the Convertible Bonds to be converted is less than US\$1,000,000 in which case the whole (but not part only) of that amount may be converted) into the Conversion Shares at the Conversion Price (as defined below) (subject to adjustments).

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## LETTER FROM THE BOARD

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No exercise of the conversion rights attaching to the Convertible Bonds shall be allowed if (i) immediately following the conversion, the Company will be unable to meet the public float requirement under Rule 8.08 of the Listing Rules; or (ii) a mandatory general offer obligation under the Takeovers Code will be triggered as a result of such conversion.

The Conversion Shares shall rank *pari passu* with all other existing Shares in issue as at the date of conversion and be entitled to all dividends, bonuses and other distributions the record date of which falls on a date on or after the date of conversion.

Anti-dilution adjustments:

The Conversion Price will from time to time be adjusted upon the occurrence of certain events, including the following:

- (i) consolidation, sub-division or re-classification of the Shares;
- (ii) capitalisation of profits or reserves;
- (iii) capital distribution to Shareholders;
- (iv) offer to Shareholders new Shares for subscription by way of rights, or grant to Shareholders any options, warrants or other rights to subscribe for any new Shares at a price which is less than 95% of the market price as at the date of the announcement of the terms of the offer or grant;
- (v) issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total effective consideration per Share initially receivable for such securities is less than 95% of the market price as at the date of the announcement of the terms of issue of such securities;
- (vi) when the rights of conversion or exchange or subscription attached to any such securities as are mentioned in (v) above are modified so that the total effective consideration per Share initially receivable for such securities will be less than 95% of the market price as at the date of the announcement of such proposal;

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## LETTER FROM THE BOARD

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(vii) when the Company issues wholly for cash any Shares at a price per Share which is less than 95% of the market price as at the date of the announcement of the terms of such issue; and

(viii) when the Company issues Shares for the acquisition of assets at a total effective consideration per Share which is less than 95% of the market price at the date of the announcement of the terms of such issue.

Voting:

The bondholder will not be entitled to attend or vote at any meetings of the Company by reason only of it being the bondholder.

Events of default:

If any of the following events occurs, the Convertible Bonds shall on the giving of notice by the bondholder to the Company become due and payable at its principal amount then outstanding, together with any accrued outstanding interest calculated up to and including the date of repayment:

(i) the Company defaults in its material obligations in the CB Subscription Agreement which default is incapable of remedy or, if capable of remedy, is not remedied within 20 Business Days after notice of such default from the bondholder to the Company;

(ii) an encumbrancer takes possession or a receiver, manager or other similar officer is appointed in respect of the whole or any substantial part of the undertaking, property, assets or revenues of the Company or any of its principal operating subsidiaries;

(iii) the Company or any of its principal operating subsidiaries becomes insolvent or is unable to pay its debts as they fall due or applies for or consents to or suffers the appointment of any administrator, liquidator or receiver of the Company or any of its principal operating subsidiaries or the whole or any substantial part of the undertaking, property, assets or revenues of the Company or any of its principal operating subsidiaries or takes any proceeding under any law for a readjustment or deferment of its obligations or any part of them;

(iv) an order is made or an effective resolution passed for the winding up, insolvency, administration or dissolution of the Company or any of its principal operating subsidiaries except in the case of an internal reorganisation;

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## LETTER FROM THE BOARD

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- (v) insolvency of the Company;
- (vi) a moratorium is agreed or declared in respect of any indebtedness of the Company or any of its principal operating subsidiaries or any government authority or agency condemns, seizes, compulsorily purchases or expropriates all or a substantial part of the assets of the Company or any of its principal operating subsidiaries;
- (vii) listing of the Shares on the Hong Kong Stock Exchange ceases or the trading of the Shares on the Hong Kong Stock Exchange is suspended for a continuous period of 10 Business Days or more due to any breach of the Listing Rules or applicable laws by any member of the Group or any of its directors, officers, employees or agents;
- (viii) the Company or any of its principal operating subsidiaries consolidates or amalgamates with or merges into any other corporation, or the Group sells or transfers all or substantially all of its assets;
- (ix) the Company fails to pay the principal amount or any interest on the Convertible Bonds when due unless non-payment of such interest is due solely to administrative or technical error and payment is made within 10 Business Days of the due date;
- (x) any amounts of principal repayment or interest payment in relation to bank borrowings of the Company or any subsidiaries are not paid when due, or within the grace period and the bank notifies the Company or the subsidiary that such non-payment constitutes an event of default under the terms of the loan; or
- (xi) the Company or any subsidiaries fails to pay when due or expressed to be due any amounts payable or expressed to be payable by it under any present or future guarantee for any moneys borrowed from or raised through a financial institution and it notifies the Company or the subsidiary that such failure to pay constitutes an event of default under the terms of the guarantee or the loan which the guarantee was given.

Redemption:

The Company shall be required to redeem upon the Maturity Date at 100% of all or any part of the principal amount of the Convertible Bonds in respect of which the conversion rights have not been exercised.

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## LETTER FROM THE BOARD

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The revised initial Conversion Price, being US\$0.41885 or approximately HK\$3.267, represents (i) the same amount as the purchase price per Sale Share under the Share Purchase Agreements, (ii) a premium of approximately 41.43%, 60.15% and 69.27% over the average closing prices of the Shares as quoted on the Hong Kong Stock Exchange for the trading days over a three-month period from 1 January 2018 to 31 March 2018 of HK\$2.31 per Share, a six-month period from 1 September 2017 to 31 March 2018 of HK\$2.04 per Share; and a year from 1 April 2017 to 31 March 2018 of HK\$1.93 per Share, respectively, (iii) a premium of approximately 32.80% over the closing price of HK\$2.46 per Shares as quoted on the Hong Kong Stock Exchange on the Last Trading Day; and (iv) a discount of approximately 12.65% to the closing price of HK\$3.74 per Shares as quoted on the Hong Kong Stock Exchange on the Latest Practicable Date.

The revised initial Conversion Price was arrived at and determined by the Company and the Offeror after commercial discussions and negotiations on a willing buyer and willing seller basis by taking into consideration, among other things, the (i) abovementioned premium of the initial Conversion Price as compared to the historical market prices of the Shares over the course of the negotiations, (ii) the interest rate to be borne by the Company upon issuance of the Convertible Bonds (if any), which represents a relatively low cost of financing as compared to the weighted average interest rate of the Company's bank borrowings for the year ended 31 December 2017, and (iii) the shareholding of approximately 70% in the Company to be held by the Offeror upon the Sale and Purchase Completion and/or conversion of the Conversion Bonds (if any). The Sale and Purchase Agreements together with the CB Subscription Agreement is a package offer for the Offeror's acquisition of the controlling interests in the Company. Please refer to the sub-section headed "Reasons for the CB Subscription" below for details on the reasons and benefits of the entering into of the CB Subscription Agreement.

Based on the maximum principal amount of US\$32,482,307, assuming the conversion rights attached to the Convertible Bonds have been exercised in full at the initial Conversion Price of US\$0.41885 per Conversion Share, a maximum of 77,551,169 Conversion Shares will be issued, representing (i) approximately 28.2% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 22.0% of the issued share capital of the Company as enlarged by the allotment and issue of such Conversion Shares.

The aggregate nominal value of the maximum amount of Conversion Shares to be issued pursuant to the Convertible Bonds, based on a par value of US\$0.05 per Share, shall be US\$3,877,558.45.

The Conversion Shares will be issued under the specific mandate proposed to be sought from the Independent Shareholders by way of poll at the SGM.

No application will be made for a listing, or permission to deal in, the Convertible Bonds on the Hong Kong Stock Exchange or the SGX-ST or any other stock exchange. An application will be made to the Listing Committee of the Hong Kong Stock Exchange and the SGX-ST for the listing of and permission to deal in the Conversion Shares.

### **Conditions precedent of the CB Subscription Agreement**

CB Subscription Completion is conditional upon the satisfaction (or waiver) of the following conditions precedent on or before the CB Subscription Longstop Date:

- (a) the passing by the Shareholders or, where applicable, the Independent Shareholders, at the SGM all resolutions as may be required under the Listing Rules and/or the relevant laws and regulations, including without limitation, the relevant resolutions approving the CB Subscription Agreement and the transactions contemplated thereunder;

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## LETTER FROM THE BOARD

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- (b) the occurrence of the Sale and Purchase Completion;
- (c) the closing of the Listco Offers;
- (d) the warranties of the Company remaining true and accurate in all respects and not misleading in any respect as of the date of the CB Subscription Agreement and the CB Subscription Completion Date by reference to the facts and circumstances subsisting as at the date of the CB Subscription Agreement and the Subscription Completion Date respectively;
- (e) the granting of the approval by the Hong Kong Stock Exchange and the SGX-ST for the listing of, and the permission to deal in, the new Shares to be issued upon the exercise of the conversion rights under the terms and conditions of the Convertible Bonds not having been revoked;
- (f) if required, all other approvals, consents and acts required under the Listing Rules, the Listing Manual or other applicable laws and regulations or otherwise required from any third parties (including banks or financial institutions) in connection with the CB Subscription Agreement and the transactions contemplated thereunder having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such laws, rules, regulations and requirements having been obtained from the Hong Kong Stock Exchange, the SFC, the SGX-ST or other relevant regulatory authorities (if applicable, including but not limited to the State Foreign Exchange Administration of the PRC and the State-owned Assets Supervision and Administration Commission of Yunnan Provincial People's Government) or the relevant third parties; and
- (g) the warranties of the Warrantors remaining true and accurate in all respects and not misleading in any respects as of the CB Subscription Completion Date by reference to the facts and circumstances subsisting as at the CB Subscription Completion Date.

The Offeror may, at its absolute discretion, waive the condition set out in paragraph (d) above, and no other condition may be waived by the Offeror. The Company may, at its absolute discretion, waive the conditions set out in paragraph (g) above. The Company shall use its reasonable endeavours to procure the fulfilment of the conditions (other than the conditions set out in paragraphs (b), (c), (f) and (g)) on or before the CB Subscription Longstop Date. The Offeror shall use its reasonable endeavours to procure the fulfilment of the conditions set out in paragraphs (b), (c), (f) and (g) above on or before the CB Subscription Longstop Date.

The condition(s) set out in paragraph (f) has been fulfilled as at the Latest Practicable Date.

If any of the conditions is not fulfilled (or, where applicable, waived) on or before the CB Subscription Longstop Date, the CB Subscription Agreement shall lapse and cease to have any effect except certain clauses specified therein and no party to the CB Subscription Agreement shall have any claim against any of the other parties, except in respect of claims arising out of any antecedent breach of any of the provisions of the CB Subscription Agreement.



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## LETTER FROM THE BOARD

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### **CB Subscription Completion**

Completion of the CB Subscription Agreement is conditional upon the conditions having been fulfilled (or, where applicable, waived) on or before the CB Subscription Longstop Date. Completion of the CB Subscription Agreement shall take place on the fifth Business Day after the day on which the last of the conditions is fulfilled (or, where applicable, waived) or such other date as may be agreed by the Company and the Offeror in writing.

### **Reasons for the CB Subscription**

Pursuant to the SPA I and the SPA II, simultaneously with the entering into of the SPA I and the SPA II, the Offeror, the Guarantor and the Company have entered into the CB Subscription Agreement for the subscription of the Convertible Bonds by the Offeror. The CB Subscription Completion is conditional on, amongst other things, the Sale and Purchase Completion and the closing of the Listco Offers. Hence, the Company will not proceed to issue the Convertible Bonds unless the Listco Offers are made. The Sale and Purchase Agreements together with CB Subscription Agreement is a package offer for the Offeror's acquisition of the controlling interests in the Company which, in case any Convertible Bonds are issued, may also bring benefits to the Company and the Shareholders as a whole.

As mentioned in the Appendix I to this circular, the Offeror intends to leverage its controlling shareholder's resources to continue to develop the Remaining Business. The Directors consider that the issue of the Convertible Bonds will provide the Company with an opportunity to raise additional funds to further strengthen the financial position of the Remaining Group to facilitate any possible future development of the Remaining Business without immediate dilution of the shareholding of the existing Shareholders and, if the conversion rights attaching to the Convertible Bonds are exercised, the capital base of the Company will be enlarged.

The gross proceeds from the issue of the Convertible Bonds may range from zero to a maximum amount of approximately HK\$253,361,998. Subject to the actual amount of net proceeds to be received from the issue of the Convertible Bonds, if any, it is intended that a substantial portion (i.e. no less than 65%) of the net proceeds will be used as general working capital of the Remaining Group; while any remaining portion will be used for financing any potential business development of the Remaining Group as mentioned in the Appendix I to this circular. The Directors and the Offeror currently do not expect the proceeds from the issue of the Convertible Bonds will be an important source for (i) the working capital required for the operation of the Remaining Group nor (ii) the fund required for its business development. Rather, the proceeds represent a source of financing having a relatively low cost as compared to the weighted average interest rate of the Company's bank borrowings for the year ended 31 December 2017. No material impact is expected to be brought to the Remaining Group's operation in case the amount of proceeds from the issue of the Convertible Bonds is zero or inconsequential. In case the amount of proceeds is inconsequential, such full amount will be utilized as general working capital of the Remaining Group.

### **Fund raising activities in the past twelve months**

During the past twelve months immediately preceding the Latest Practicable Date, the Company has not conducted any fund-raising activity.

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## LETTER FROM THE BOARD

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### Listing Rules implications

Pursuant to the SPA I and the SPA II, the Offeror has agreed to acquire the Sale Shares I and the Sale Shares II respectively, which in aggregate represent (a) approximately 61.5% of the issued share capital of the Company as at the Latest Practicable Date, and (b) approximately 58.3% of the issued share capital of the Company assuming exercise in full of all outstanding Share Options by the Optionholders before the Sale and Purchase Completion. The CB Subscription Completion shall take place conditional upon, among other things, the occurrence of the Sale and Purchase Completion. As such, on the CB Subscription Completion Date, the Offeror will become a controlling shareholder of the Company and therefore a connected person of the Company. The entering into of the CB Subscription Agreement between the Company and the Offeror will therefore constitute a connected transaction for the Company under Chapter 14A of the Listing Rules which requires the approval of the Independent Shareholders by way of poll at the SGM.

As the Offeror will become a connected person of the Company upon the Sale and Purchase Completion and will have a material interest in the CB Subscription Agreement, the Offeror and its associates (if they are holding any Shares) are required to abstain from voting on the relevant resolutions(s) to approve the CB Subscription Agreement and the transactions contemplated thereunder at the SGM. The Vendors and its associates are also required to abstain from voting on the relevant resolution(s) to approve the CB Subscription Agreement and the transactions contemplated thereunder at the SGM.

### Shareholding structure of the Company

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon the Sale and Purchase Completion (assuming no other changes to the issued share capital of the Company since the Latest Practicable Date) ("**Scenario 1**"); (iii) immediately upon the close of the Listco Share Offer (assuming (a) no other changes to the issued share capital of the Company since the Latest Practicable Date; (b) no Independent Shareholder accepting the Listco Share Offer and (c) the conversion of the whole of the principal amount of the Convertible Bonds by the Offeror) ("**Scenario 2**"); (iv) immediately upon the close of the Listco Offers (assuming (a) all the options have been exercised; (b) no Independent Shareholder accepting the Listco Offers, and (c) conversion of the whole of the principal amount of the Convertible Bonds by the Offeror) ("**Scenario 3**");

## LETTER FROM THE BOARD

	(i) As at the Latest Practicable Date		(ii) Scenario 1		(iii) Scenario 2		(iv) Scenario 3	
	Number of Shares held	% of Shares in issue (approximate)	Number of Shares held	% of Shares in issue (approximate)	Number of Shares held	% of Shares in issue (approximate)	Number of Shares held	% of Shares in issue (approximate)
Mr. Lo and parties acting in concert with him	112,456,500	40.8	–	–	–	–	–	–
Mr. Chan	9,720,000	3.5	–	–	–	–	–	–
Mr. Ho Yew Yuen	300,000	0.1	300,000	0.1	300,000	0.1	300,000	0.1
KCH Investment (a company wholly-owned by Mr. Guo)	47,364,648	17.2	–	–	–	–	–	–
The Offeror and parties acting in concert with it	–	–	169,541,148	61.5	247,092,317	70.0	247,092,317	67.1%
Other Shareholders	105,595,852	38.4	105,595,852	38.4	105,595,852	29.9	121,068,852	32.8%
<b>Total</b>	<b>275,437,000</b>	<b>100.0</b>	<b>275,437,000</b>	<b>100.0</b>	<b>352,988,169</b>	<b>100.0</b>	<b>368,461,169</b>	<b>100.0</b>

### E. SPECIAL DEALS AND CONTINUING CONNECTED TRANSACTIONS

As a transitional arrangement, the Privateco Group and the Remaining Group entered into the Supply Framework Agreement, and a Remaining Subsidiary entered into the Service Agreements with Mr. Lo and Mr. Chan respectively, each of which will take effect after relevant conditions precedent as set out below have been satisfied.

#### Supply Framework Agreement

The Remaining Group will be engaged in the distribution and after-sales services for products under brands owned by third parties and the Privateco Group in the PRC. The Privateco Group's own-brand products have been and are expected to continue to be sold to customers of the Remaining Group, as a supplement to the third-party products. In order to secure a stable source of instruments supply and assist the Remaining Group in meeting demands from customers subsequent to the Distribution In Specie, the Privateco Group and the Remaining Group entered into the Supply Framework Agreement to continue the existing scientific instruments supply arrangement between the Remaining Group and the Privateco Group.

Under the Supply Framework Agreement, the Privateco Group will continue to sell and the Remaining Group will continue to purchase various analytical instruments, life science equipment and laboratory instruments under the Privateco Group's own brands. The Supply Framework Agreement will take effect after, inter alia, obtaining the Independent Shareholders' approval at the SGM and completion of the Distribution In Specie, on a basis consistent with the historical transactions in the past years.

Set out below are the key terms of the Supply Framework Agreement:

**Date:** 18 April 2018

**Parties:** (i) Privateco  
(ii) the Company

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## LETTER FROM THE BOARD

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### **Subject Matter**

The Privateco Group will supply certain analytical instruments, life science equipment and laboratory instruments under the Privateco Group's own brands to the Remaining Group on normal commercial terms and on an arm's length basis, or on terms no less favourable than those available to the Privateco Group or the Remaining Group to or from their respective independent third parties, subject to the terms of the Supply Framework Agreement.

### **Individual Agreements**

The Privateco Group and the Remaining Group will enter into individual agreement with respect to each sale and purchase transaction of the relevant products from time to time. The terms of these individual agreements shall only contain provisions which are consistent with the terms of the Supply Framework Agreement.

### **Term**

The initial term of the Supply Framework Agreement shall commence from the second Business Day after the satisfaction of the conditions set out in the Supply Framework Agreement and expire on the second anniversary of the last day of the calendar month in which the Sale and Purchase Completion took place (both days inclusive).

### **Conditions precedent**

The Supply Framework Agreement shall come into effect conditional upon:

- (a) the resolutions regarding the Supply Framework Agreement (including the annual caps thereto) and the transaction contemplated thereunder being approved by the Independent Shareholders;
- (b) completion of the Group Reorganisation and the Distribution In Specie;
- (c) the Sale and Purchase Completion having taken place; and
- (d) obtaining the consent of the Executive under Rule 25 of the Takeovers Code.

None of the above conditions precedent can be waived. As at the Latest Practicable Date, none of the above conditions precedent has been satisfied.

### **Pricing basis**

The pricing of each of the transactions shall be determined by the parties to the Supply Framework Agreement at the time of entry into the relevant subsequent individual agreement for such transaction in accordance with the terms of the Supply Framework Agreement, with reference to any relevant rules and regulations being effective at the time.

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## LETTER FROM THE BOARD

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Prices of the products to be supplied by the Privateco Group to the Remaining Group shall be determined on an arm's length basis and according to the prevailing market price for the same or substantially similar products with comparable quantities and quality supplied within the PRC which shall not be less favourable than those applicable to the purchase of the same or substantially similar type of products with comparable quantities and quality from independent third parties by the Remaining Group.

In determining whether the products supplied by the Privateco Group are at the prevailing market price, the Remaining Group will make reference to the prices from two or more independent third party suppliers which are available to supply at the relevant time the same or substantially similar type of products with comparable quantities and quality. If the above is not applicable, by reference to the average price of the same or substantially similar products previously purchased by the Remaining Group, and on normal commercial terms which are no less favourable to the Remaining Group than are available from an independent purchaser.

### Annual caps

The maximum aggregate values of the transactions under the Supply Framework Agreement for each of the financial years ending 31 December 2018, 2019 and 2020 shall not exceed HK\$180,000,000.

In arriving at the annual caps above, the Directors have considered the following factors: (a) historical, current and projected market rates for products comparable to the relevant products; (b) development of the Remaining Group's business with independent suppliers. In particular, the Directors expect that the above two factors will remain stable in coming years, and accordingly has determined the proposed annual caps for the three years ended 31 December 2020 roughly based on the average of the unaudited historical transaction amounts of the Group from the Privateco Group for the three years ended 31 December 2017.

Details of the historical transaction amounts are set out in the table below:

<b>Financial year ended</b> <b>31 December 2015</b> <i>US\$'000</i> (unaudited)	<b>Financial year ended</b> <b>31 December 2016</b> <i>US\$'000</i> (unaudited)	<b>Financial year ended</b> <b>31 December 2017</b> <i>US\$'000</i> (unaudited)
19,116	23,041	27,764

### Internal control

In addition to referencing prices from independent third party suppliers as described in the sub-section above headed "Pricing basis", the procurement and finance department of the Group will monitor the actual utilization of the relevant annual caps under the Supply Framework Agreement to ensure such annual caps will not be exceeded. The marketing department of the Group will review the pricing of the Privateco Group products by making reference to the price from independent third party suppliers which are available to supply at the relevant time the same or substantially similar type of products with comparable quantities and quality; if the above is not applicable, the Remaining Group will make reference to the average price of the same or substantially similar products previously purchased by the Remaining Group. Independent non-executive Directors will review the transactions under the

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## LETTER FROM THE BOARD

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Supply Framework Agreement on an annual basis, ensuring such transactions are in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the Supply Framework Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole. The Directors are of the view that the above internal control procedures can ensure that the transactions contemplated under the Supply Framework Agreement to be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

### **Listing Rules implications**

The transactions contemplated under the Supply Framework Agreement will, upon completion of the Distribution In Specie, constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules by virtue of the Privateco Group being an associate of Mr. Lo and thus a connected person of the Company under the Listing Rules.

Given the material interests of Mr. Lo in the Supply Framework Agreement, he had abstained from voting at the Board meeting approving the Supply Framework Agreement. Mr. Lo and his associates will abstain from voting on the relevant resolution regarding the Supply Framework Agreement at the SGM.

As the highest of the applicable percentage ratios in respect of the continuing connected transactions contemplated under the Supply Framework Agreement is more than 5%, the Supply Framework Agreement and the transactions contemplated thereunder shall be subject to the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **Takeovers Code implications**

The Supply Framework Agreement is an arrangement between the Remaining Group and the Privateco Group (which will be controlled by Mr. Lo, through his interests in Circle Brown) which is not capable of being extended to all Shareholders. Therefore, the Supply Framework Agreement constitutes a special deal under Rule 25 of the Takeovers Code and will be conditional upon obtaining the prior consent of the Executive under Rule 25 of the Takeovers Code. The Executive will normally consent to the Supply Framework Agreement provided that the independent financial adviser to the Company publicly states that in its opinion it is an arm's length transaction on normal commercial terms, the terms of the Supply Framework Agreement are fair and reasonable and it is approved by Independent Shareholders by way of poll at the SGM.

### **Service Agreements**

The overall management and operations of the Remaining Group are currently governed by the Directors, including Mr. Lo and Mr. Chan. After the Sale and Purchase Completion and the first closing date of the Listco Offers, all the existing Directors will resign as Directors pursuant to the terms of the SPA I. In order to achieve a smooth transition of responsibilities and support the business development of the Remaining Group following the Sale and Purchase Completion, Techcomp Scientific, a Remaining Subsidiary, entered into (i) the Mr. Lo's Service Agreement with Mr. Lo and (ii) the Mr. Chan's Service Agreement with Mr. Chan, pursuant to which each of Mr. Lo and Mr. Chan will be appointed as consultant of Techcomp Scientific, which will wholly own the Remaining Subsidiaries upon completion of the Group

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## LETTER FROM THE BOARD

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Reorganisation. The above appointments will become effective after all the conditions precedent set out below have been satisfied.

Particulars of the terms for each of the Service Agreements are set out below.

**Date:** 18 April 2018

**Parties:**

- (i) Techcomp Scientific (one of the Remaining Subsidiaries)
- (ii) Mr. Lo (pursuant to Mr. Lo's Service Agreement), or Mr. Chan (pursuant to Mr. Chan's Service Agreement)

### Scope of services

Pursuant to Mr. Lo's Service Agreement, Mr. Lo will be appointed as a consultant and be responsible for the overall management and operations of the Remaining Subsidiaries, including but not limited to the selection and appointment of senior management to assist the management and operation of the Remaining Subsidiaries after obtaining approval from the board of directors of Techcomp Scientific and (if required) the Board (such approvals shall not be unreasonably withheld or delayed), and charting and reviewing of the corporate directions and strategies and such other responsibilities in relation to the Remaining Subsidiaries as agreed between the board of directors of Techcomp Scientific and Mr. Lo.

Pursuant to Mr. Chan's Service Agreement, Mr. Chan will be appointed as consultant and be responsible for formulating and monitoring the Remaining Subsidiaries' overall strategic plan, the Remaining Subsidiaries' sales and overall operations in the PRC and Macau.

### Term

Each of the Service Agreements will be effective upon the fulfilment of the conditions mentioned below, and end on the second anniversary of the last day of the calendar month in which the Sale and Purchase Completion took place (both days inclusive).

### Conditions Precedent

Each of the Service Agreements is conditional upon:

- (a) the passing by the Shareholders or, where applicable, the Independent Shareholders, at the SGM all resolutions as may be required under the Listing Rules, the Takeovers Code and/or the relevant laws and regulations, including without limitation, the relevant resolutions approving the relevant Service Agreements;
- (b) the completion of the Group Reorganisation and the Distribution In Specie having taken place;
- (c) obtaining the consent of the Executive under Rule 25 of the Takeovers Code; and
- (d) the Sale and Purchase Completion having taken place.

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## LETTER FROM THE BOARD

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None of the above conditions precedent can be waived. As at the Latest Practicable Date, none of the above conditions precedent has been satisfied.

### **Remuneration**

Each of Mr. Lo and Mr. Chan shall be entitled to an annual salary of HK\$2,400,000 (representing an increase of approximately 56.99% as compared to the basic salaries and allowances payable to Mr. Lo for his services as an executive Director in 2017) and HK\$960,000 (representing a decrease of approximately 3.09% as compared to the basic salaries and allowances payable to Mr. Chan for his services as an executive Director in 2017) respectively, payable monthly, and an annual discretionary bonus to be determined by the board of directors of Techcomp Scientific from time to time. The remuneration under each of the Service Agreements was determined with reference to the duties and responsibilities of each of Mr. Lo and Mr. Chan as set out in each of the Service Agreements, individual performance incentives, and comparable salaries in the market. In particular, the remuneration under Mr. Chan's Service Agreement has been determined with reference to the existing package of Mr. Chan, while the remuneration under Mr. Lo's Service Agreement has been determined with reference to the other existing senior management of the Company, given Mr. Lo will resign from his positions as president of the Company and executive Director.

### **Termination**

Each of the Service Agreements is terminable by either party to the relevant Service Agreements by giving one months' notice.

### **Reasons for and benefits of the Special Deals and Continuing Connected Transactions**

The Privateco Group has been supplying its own-brand products to the Remaining Group in the past. Following completion of the Distribution In Specie, the Privateco Group will no longer be part of the Group and will be controlled by Mr. Lo, while the Remaining Group will be controlled by the Purchaser. The Supply Framework Agreement allows the Remaining Group to secure a stable source of instruments supply (the instruments to be supplied under the Supply Framework Agreement will be the Privateco's own-brand products with its own technical specifications, as such it is not that straight forward for the Remaining Group to identify alternative suppliers given that those instruments are self-manufactured as well as own-brand products of the Privateco Group), and assist the Remaining Group in meeting demands from customers subsequent to the Distribution In Specie.

Mr. Lo and Mr. Chan are currently executive Directors, involved in the overall management and operations of the Group. In order to achieve a smooth transition of responsibilities and support the business development of the Remaining Group following the Sale and Purchase Completion and resignation of all the existing Directors, the Service Agreements are entered into, such that both Mr. Lo and Mr. Chan will continue to be involved in the management of the Remaining Subsidiaries as consultants.



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## LETTER FROM THE BOARD

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### **Listing Rules implications**

The Service Agreements will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules by virtue of the fact that each of Mr. Lo and Mr. Chan is a Director and thus a connected person of the Company under the Listing Rules.

Given the material interests of Mr. Lo and Mr. Chan in the Service Agreements, each of them had abstained from voting at the Board meeting approving the Service Agreements. Mr. Lo, Mr. Chan and their respective associates will abstain from voting on the relevant resolution regarding the Service Agreements at the SGM.

As the highest of the applicable percentage ratios in respect of the continuing connected transactions contemplated under each of the Service Agreements is more than 0.1% but less than 5%, each of the Service Agreements is subject to the reporting, annual review, and announcement requirements under Chapter 14A of the Listing Rules.

### **Takeovers Code Implication**

As at the Latest Practicable Date, each of Mr. Lo and Mr. Chan is a director of the Company and is interested in 104,956,500 Shares, representing approximately 38.1% of the issued share capital of the Company, and 9,720,000 Shares, representing approximately 3.5% of the issued share capital of the Company, respectively. Each of the Service Agreements constitutes a special deal under the Takeovers Code and will be conditional upon obtaining the prior consent of the Executive under Rule 25 of the Takeovers Code. The Executive will normally consent to the Service Agreements provided that the independent financial adviser to the Company publicly states that in its opinion it is an arm's length transaction on normal commercial terms, the terms of the Service Agreements are fair and reasonable and it is approved by Independent Shareholders by way of poll at the SGM.

## **F. INFORMATION ON THE PARTIES**

### **Information on the Group**

The Company is a company incorporated in Bermuda with limited liability and its Shares are primary listed on the Main Board of the Hong Kong Stock Exchange and secondary listed on the Main Board of the SGX-ST. The Group is a scientific equipment manufacturer, distributor and after-sales services provider of analytical instruments, life science equipment and laboratory instruments in the PRC and overseas. The Group's two principal business segments comprise (i) equipment distribution together with the provision of after-sales services, and (ii) the manufacturing of own-brand laboratory instruments.

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## LETTER FROM THE BOARD

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### Financial information of the Group

The following table is a summary of certain audited financial information of the Group for the three financial years ended 31 December 2015, 2016 and 2017 (as extracted from the Company's annual reports for the years ended 31 December 2016 and 31 December 2017):

	<b>Year ended 31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>US\$'000</i> (audited)	<i>US\$'000</i> (audited)	<i>US\$'000</i> (audited)
Revenue	199,374	183,043	171,905
Gross profit	55,069	60,369	55,472
Profit before taxation	1,484	902	3,580
Profit attributable to the owners of the Company	1,335	1,013	3,513
<b>As at 31 December</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>US\$'000</i> (audited)	<i>US\$'000</i> (audited)	<i>US\$'000</i> (audited)
Net assets attributable to the owners of the Company	83,350	81,136	84,443

Further financial information on the Group is set out in the Appendix II to this circular.

### Information on Techcomp Scientific

Techcomp Scientific is a company incorporated in BVI with limited liability and is principally engaged in investment holding. Upon completion of the Group Reorganisation and the Distribution In Specie, Techcomp Scientific is one of the Remaining Subsidiaries.

### Information on Privateco

Privateco is a company incorporated in BVI with limited liability and is principally engaged in investment holding. Privateco was a direct wholly-owned subsidiary of the Company as at the Latest Practicable Date.

### Information on Mr. Lo and Mr. Chan

Each of Mr. Lo and Mr. Chan is an executive Director of the Company.

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## LETTER FROM THE BOARD

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### Information on the Offeror and the Guarantor

The Offeror is an investment holding company incorporated in BVI and is a wholly owned subsidiary of the Guarantor. The Guarantor is a company incorporated in Hong Kong with limited liability and is beneficially and wholly-owned by Yunnan Provincial Energy Investment Group Co., Ltd (“YEIG”). The ultimate controller of the Offeror is the State-owned Assets Supervision and Administration Commission of the Yunnan Provincial People's Government.

The Guarantor is an investment holding company and through its subsidiaries, is mainly engaged in the operations of cement production, gas-fired power generation in Southeast Asia as well as financial investments. As at 31 December 2017, the total assets and net assets attributable to shareholders of the Guarantor were over RMB10 billion and close to RMB3 billion, respectively.

YEIG and its subsidiaries (the “YEIG Group”) are mainly engaged in, among other things, investment and management of electric power, green energy, coal energy, new energy and other electric-related resources, investment planning and its technical, consulting and information services, and joint investment of natural gas resources and the pipe networks. As at 31 December 2017, the total asset of YEIG was approximately RMB110 billion and it recorded revenue of approximately RMB75 billion for the year ended 31 December 2017. YEIG was ranked 250th among China's top 500 enterprises in 2017 (measured by operation income in 2016) by China Enterprise Confederation (中國企業聯合會) and China Enterprise Directors Association (中國企業家協會).

### G. FINANCIAL EFFECTS OF THE GROUP REORGANISATION AND THE DISTRIBUTION IN SPECIE

Set out in Appendix V to this circular is the unaudited pro forma financial information of the Remaining Group which illustrates the financial impact of the Group Reorganisation and the Distribution in Specie on the results and cash flows of the Remaining Group as if the Group Reorganisation and the Distribution in Specie had been completed on 1 January 2017, and the financial impact of the Group Reorganisation and the Distribution in Specie on the assets and liabilities of the Remaining Group as if the Group Reorganisation and the Distribution in Specie were completed on 31 December 2017. Upon completion of the Group Reorganisation and the Distribution in Specie, all the Company's existing subsidiaries other than Remaining Subsidiaries will cease to be the Company's subsidiaries and their financial results will not be consolidated into the Company's financial results.

According to the unaudited pro forma financial information of the Remaining Group as set out in Appendix V to this circular, assuming the Group Reorganisation and the Distribution in Specie had taken place on 31 December 2017, the pro forma total assets of the Remaining Group would be approximately US\$90.7 million, which represented a decrease of approximately US\$75.1 million from the Group's total assets as at 31 December 2017, the pro forma total liabilities of the Remaining Group would be approximately US\$51.3 million, which represented a decrease of approximately US\$32.5 million from the Group's total liabilities as at 31 December 2017, and the pro forma net assets of the Remaining Group would be approximately US\$39.4 million, which represented a decrease of approximately US\$42.7 million from the Group's net assets as at 31 December 2017.

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## LETTER FROM THE BOARD

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According to the unaudited pro forma financial information of the Remaining Group as set out in Appendix V to this circular, assuming the Group Reorganisation and the Distribution in Specie had taken place on 1 January 2017, the Remaining Group would record a pro forma loss of approximately US\$8.8 million, as compared to a net profit of approximately US\$1.0 million of the Group for the financial year.

### **H. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP**

Following completion of the Distribution In Specie, the Remaining Group will be engaged in the distribution and after-sales services for a range of scientific instruments including chromatographs, spectrophotometers, electronic microscopes, life science and general laboratory instruments, from third party brands as well as brands owned by the Distributed Business, primarily in the PRC.

Upon completion of the Distribution In Specie, end-customers continue to be universities, research institutions, and companies in various industrial sectors, such as pharma, biotechnology, clinics and healthcare providers, as well environmental, agricultural, food and beverage related businesses and government agencies. The Remaining Group has a wide distribution presence with offices in Beijing, Shenzhen, Lanzhou, Chengdu, Chongqing, Fuzhou, Guangzhou, Jinan, Shanghai, Shenyang, Tianjin, Wuhan, Yunan and Xian.

It is believed that going forward the market for scientific equipment in the PRC will grow, in tandem with a continued focus by the PRC government on research and development, food safety, and environmental protection policies in the PRC. The Remaining Group will continue to take advantage of such market demand. The Remaining Group will be well placed to take advantage of the business prospects that present themselves, and will seek to do so by leveraging its large distribution network in the PRC and the range of products that the Remaining Group offers to its customers.

A management discussion and analysis on the businesses of the Remaining Group is set out in Appendix IV to this circular.

### **I. SGM**

The SGM will be held for the purpose of considering and, if thought fit, approving the resolutions in respect of the Distribution In Specie, the Supply Framework Agreement, the Service Agreements, the CB Subscription Agreement, the amendment to the terms of the 2004 Share Option Scheme, the amendment of the terms of the 2011 Share Option Scheme and the respective transactions contemplated thereunder, by way of poll at the SGM. The Purchaser, the Vendors, Mr. Guo, their respective associates and parties acting in concert with any of them, the 2004 Optionholders who are Shareholders and the 2011 Optionholders who are Shareholders will abstain from voting on the relevant resolutions at the SGM.

Save for the interests in the Sale and Purchase Agreements, none of the Purchaser, its associates and parties acting in concert with any of them held any Shares as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### **J. INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the independent non-executive Directors has been formed in order to make a recommendation to the Independent Shareholders regarding the Distribution In Specie, the Supply Framework Agreement, the Service Agreements, the CB Subscription Agreement and the respective transactions contemplated thereunder.

Amasse Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Distribution In Specie, the Supply Framework Agreement, the Service Agreements, the CB Subscription Agreement and the respective transactions contemplated thereunder (where appropriate). The appointment of Amasse Capital has been approved by the Independent Board Committee on 4 May 2018.

### **K. RECOMMENDATIONS**

The Board (including the Independent Board Committee which has provided its recommendations after considering the advice of the Independent Financial Adviser) considers that the terms of the Distribution In Specie, the CB Subscription Agreement, the Supply Framework Agreement and the Service Agreements to be on normal commercial terms, fair and reasonable and the entering into of each of such agreement is in the interests of the Group and the Shareholders as a whole. While the Board does not consider the Distribution In Specie and the CB Subscription Agreement to be in the Company's ordinary and usual course of business, it considers the Supply Framework Agreement and the Service Agreements to be in the Company's ordinary and usual course of business. In addition, the Board considers that the amendment to the terms of the 2004 Share Option Scheme and the amendment to the terms of the 2011 Share Option Scheme are fair and reasonable and in the interest of the Group, the Shareholders, the 2004 Optionholders and the 2011 Optionholders (as the case may be) as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Distribution In Specie, the CB Subscription Agreement, the Supply Framework Agreement and the Service Agreements and the respective transactions contemplated thereunder as well as the amendment to the terms of the 2004 Share Option Scheme and the amendment to the terms of the 2011 Share Option Scheme.

In addition, your attention is drawn to the letter from the Independent Board Committee set out on pages 58 to 59 of this circular which contains its recommendation to the Independent Shareholders in respect of the Distribution In Specie, the Supply Framework Agreement, the Service Agreements, the CB Subscription Agreement and the respective transactions contemplated thereunder having considered the advice from the Independent Financial Adviser set out on pages 60 to 125 of this circular which contains their recommendation to the Independent Board Committee and the Independent Shareholders and the principal factors and reasons taken into consideration.

### **L. ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in the appendices to this circular.

For and on behalf of  
**Techcomp (Holdings) Limited**  
**Lo Yat Keung**  
*President*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Distribution In Specie, the Supply Framework Agreement, the Service Agreements, the CB Subscription Agreement and the respective transactions contemplated thereunder.*

### **TECHCOMP (HOLDINGS) LIMITED**

**天美(控股)有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Hong Kong Stock Code: 1298)**

**(Singapore Stock Code: T43)**

29 June 2018

*To the Independent Shareholders*

Dear Sir or Madam,

**(1) PROPOSED GROUP REORGANISATION AND DISTRIBUTION  
IN SPECIE OF THE PRIVATECO SHARES**

**(2) AMENDMENT TO THE TERMS OF THE 2004 SHARE OPTION SCHEME AND  
THE 2011 SHARE OPTION SCHEME AND ADJUSTMENTS TO THE  
EXERCISE PRICE OF THE SHARE OPTIONS**

**(3) POSSIBLE CONNECTED TRANSACTION IN RELATION TO  
THE ISSUE OF CONVERTIBLE BONDS UNDER THE SPECIFIC MANDATE BY  
TECHCOMP (HOLDINGS) LIMITED TO BAODI INTERNATIONAL  
INVESTMENT COMPANY LTD**

**(4) SPECIAL DEALS AND CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular of the Company to the Shareholders dated 29 June 2018 (the “Circular”), in which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings given to them in the section headed “Definition” of the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Distribution In Specie, the Supply Framework Agreement, the Service Agreements, the CB Subscription Agreement and the respective transactions contemplated thereunder, are fair and reasonable so far as the Independent Shareholders are concerned.

We wish to draw your attention to the letter of advice from Amass Capital, being the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Distribution In Specie, the Supply Framework Agreement, the Service Agreements, the CB Subscription Agreement and the respective transactions contemplated thereunder as set out on pages 60 to 125 of the Circular, and the letter from the Board set out on pages 12 to 57 of the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered, among other matters, the factors and reasons considered by, and the opinion of Amasse Capital as stated in its letter of advice, we consider that the Distribution In Specie, the Supply Framework Agreement, the Service Agreements, the CB Subscription Agreement and the respective transactions contemplated thereunder are fair and reasonable and is in the interests of the Company and the Shareholders as a whole. While we do not consider the Distribution In Specie and the CB Subscription Agreement to be in the Company's ordinary and usual course of business, we consider the Supply Framework Agreement and the Service Agreements to be in the Company's ordinary and usual course of business. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM in respect of the Distribution In Specie, the Supply Framework Agreement, the Service Agreements, the CB Subscription Agreement and the respective transactions contemplated thereunder.

Yours faithfully,

*Independent Board Committee*

**Techcomp (Holdings) Limited**

**Mr. Seah Kok Khong, Manfred**

**Mr. Ho Yew Yuen**

**Mr. Teng Cheong Kwee**

*Independent non-executive Directors*

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## LETTER FROM AMASSE CAPITAL

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*Set out below is the text of a letter received from Amasse Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Distribution In Specie, the Supply Framework Agreement, the Service Agreements and the CB Subscription Agreement for the purpose of inclusion in this Circular.*

**AMASSE CAPITAL**  
**寶 積 資 本**

29 June 2018

*To the Independent Board Committee and  
the Independent Shareholders of Techcomp (Holdings) Limited*

Dear Sirs,

**(1) PROPOSED GROUP REORGANISATION AND DISTRIBUTION  
IN SPECIE OF THE PRIVATECO SHARES;**

**(2) POSSIBLE CONNECTED TRANSACTION IN RELATION TO  
THE ISSUE OF CONVERTIBLE BONDS UNDER THE SPECIFIC MANDATE  
BY TECHCOMP (HOLDINGS) LIMITED TO BAODI INTERNATIONAL  
INVESTMENT COMPANY LTD;**

**AND**

**(3) SPECIAL DEALS AND CONTINUING CONNECTED TRANSACTIONS**

**INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Distribution In Specie, the Supply Framework Agreement, the Service Agreements and the CB Subscription Agreement (as supplemented and amended by the Supplemental CB Subscription Agreement), details of which are set out in the circular dated 29 June 2018 (the “Circular”) issued by the Company to its Independent Shareholders and the Optionholders, of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.



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## LETTER FROM AMASSE CAPITAL

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### DISTRIBUTION IN SPECIE

The Company proposes to declare and pay a dividend of approximately HK\$1.28 per Share to be satisfied wholly by the distribution of all of the Privateco Shares registered in its name to the Shareholders whose names appear on the register of members of the Company or in the Depository Register maintained by CDP (as the case may be) on the Record Date on the following basis:

**For every Share held . . . . . one Privateco Share**

The above dividend of approximately HK\$1.28 per Privateco Share is calculated with reference to the consolidated net asset value of the Privateco of approximately HK\$353 million based on the unaudited consolidated management account of the Privateco Group as at 31 December 2017, divided by 275,437,000 Privateco Shares currently expected to be in issue following completion of the Group Reorganisation.

### Listing Rules Implications of the Distribution In Specie

Although the Distribution In Specie does not constitute a transaction under Chapter 14 of the Listing Rules, the Company will take such measures required under Chapter 14 in order to protect the interests of the Independent Shareholders. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules is expected to be more than 25% but less than 75%, the Distribution In Specie would be similar to a major disposal for the Company under Chapter 14 of the Listing Rules. The Distribution In Specie will also be subject to the passing of an ordinary resolution by the Independent Shareholders by way of poll at the SGM. The Purchaser, the Vendor, their respective associates and parties acting in concert with any of them will abstain from voting on the relevant resolution(s) regarding the Distribution In Specie.

### CB SUBSCRIPTION AGREEMENT

On 18 April 2018, the Company, the Offeror and the Guarantor entered into the CB Subscription Agreement (as supplemented and amended by the Supplemental CB Subscription Agreement) pursuant to which the Company has agreed to issue, and the Offeror has agreed to subscribe, in cash, for the Convertible Bonds.

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## LETTER FROM AMASSE CAPITAL

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### **Listing Rules implications of the CB Subscription Agreement**

Pursuant to the SPA I and the SPA II, the Offeror has agreed to acquire the Sale Shares I and the Sale Shares II respectively, which in aggregate represent (a) approximately 61.5% of the issued share capital of the Company as at the Latest Practicable Date, and (b) approximately 58.3% of the issued share capital of the Company assuming exercise in full of all outstanding Share Options by the Optionholders before the Sale and Purchase Completion. The CB Subscription Completion shall take place conditional upon, among other things, the occurrence of the Sale and Purchase Completion. As such, on the CB Subscription Completion Date, the Offeror will become a controlling shareholder of the Company and therefore a connected person of the Company. The entering into of the CB Subscription Agreement between the Company and the Offeror will therefore constitute a connected transaction for the Company under Chapter 14A of the Listing Rules which requires the approval of the Independent Shareholders by way of poll at the SGM.

As the Offeror will become a connected person of the Company upon the Sale and Purchase Completion and will have a material interest in the CB Subscription Agreement, the Offeror and its associates (if they are holding any Shares) are required to abstain from voting on the relevant resolutions(s) to approve the CB Subscription Agreement and the transactions contemplated thereunder at the SGM. The Vendors and their associates are also required to abstain from voting on the relevant resolution(s) to approve the CB Subscription Agreement and the transactions contemplated thereunder at the SGM.

### **SUPPLY FRAMEWORK AGREEMENT**

The Remaining Group will be engaged in the distribution and after-sales services for products under brands owned by third parties and the Privateco Group in the PRC. The Privateco Group's own-brand products have been and are expected to continue to be sold to customers of the Remaining Group, as a supplement to the third-party products. In order to secure a stable source of instruments supply and assist the Remaining Group in meeting demands from customers subsequent to the Distribution In Specie, the Privateco Group and the Remaining Group entered into the Supply Framework Agreement to continue the existing scientific instruments supply arrangement between the Remaining Group and the Privateco Group.

Under the Supply Framework Agreement, the Privateco Group will continue to sell and the Remaining Group will continue to purchase various analytical instruments, life science equipment and laboratory instruments under the Privateco Group's own brands.

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## LETTER FROM AMASSE CAPITAL

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### **Listing Rules implications of the Supply Framework Agreement**

The transactions contemplated under the Supply Framework Agreement will, upon completion of the Distribution In Specie, constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules by virtue of the Privateco Group being an associate of Mr. Lo and thus a connected person of the Company under the Listing Rules.

Given the material interests of Mr. Lo in the Supply Framework Agreement, he had abstained from voting at the Board meeting approving the Supply Framework Agreement. Mr. Lo and his associates will abstain from voting on the relevant resolution regarding the Supply Framework Agreement at the SGM.

As the highest of the applicable percentage ratios in respect of the continuing connected transactions contemplated under the Supply Framework Agreement is more than 5%, the Supply Framework Agreement and the transactions contemplated thereunder shall be subject to the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **Takeovers Code implications of the Supply Framework Agreement**

The Supply Framework Agreement is an arrangement between the Remaining Group and the Privateco Group (which will be controlled by Mr. Lo, through his interests in Circle Brown) which is not capable of being extended to all Shareholders. Therefore, the Supply Framework Agreement constitutes a special deal under Rule 25 of the Takeovers Code and will be conditional upon obtaining the prior consent of the Executive under Rule 25 of the Takeovers Code. The Executive will normally consent to the Supply Framework Agreement provided that the independent financial adviser to the Company publicly states that in its opinion it is an arm's length transaction on normal commercial terms, the terms of the Supply Framework Agreement are fair and reasonable and it is approved by Independent Shareholders by way of poll at the SGM.

### **SERVICE AGREEMENTS**

The overall management and operations of the Remaining Group are currently governed by the Directors, including Mr. Lo and Mr. Chan. After the Sale and Purchase Completion and the first closing date of the Listco Offers, all the existing Directors will resign as Directors pursuant to the terms of the SPA I. In order to achieve a smooth transition of responsibilities and support the business development of the Remaining Group following the Sale and Purchase Completion, Techcomp Scientific, a Remaining Subsidiary, entered into (i) the Mr. Lo's Service Agreement with Mr. Lo and (ii) the Mr. Chan's Service Agreement with Mr. Chan, pursuant to which each of Mr. Lo and Mr. Chan will be appointed as consultant of Techcomp Scientific, which will wholly own the Remaining Subsidiaries upon completion of the Group Reorganisation. The above appointments will become effective after all the conditions precedent set out in the Circular have been satisfied.

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## LETTER FROM AMASSE CAPITAL

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### **Listing Rules implications of the Service Agreements**

The Service Agreements will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules by virtue of the fact that each of Mr. Lo and Mr. Chan is a Director and thus a connected person of the Company under the Listing Rules.

Given the material interests of Mr. Lo and Mr. Chan in the Service Agreements, each of them had abstained from voting at the Board meeting approving the Service Agreements. Mr. Lo, Mr. Chan and their respective associates will abstain from voting on the relevant resolution regarding the Service Agreements at the SGM.

As the highest of the applicable percentage ratios in respect of the continuing connected transactions contemplated under each of the Service Agreements is more than 0.1% but less than 5%, each of the Service Agreements is subject to the reporting, annual review, and announcement requirements under Chapter 14A of the Listing Rules.

### **Takeovers Code implications of the Service Agreements**

As at the Latest Practicable Date, each of Mr. Lo and Mr. Chan is a director of the Company and is interested in 104,956,500 Shares, representing approximately 38.1% of the issued share capital of the Company, and 9,720,000 Shares, representing approximately 3.5% of the issued share capital of the Company, respectively. Each of the Service Agreements constitutes a special deal under the Takeovers Code and will be conditional upon obtaining the prior consent of the Executive under Rule 25 of the Takeovers Code. The Executive will normally consent to the Service Agreements provided that the independent financial adviser to the Company publicly states that in its opinion it is an arm's length transaction on normal commercial terms, the terms of the Service Agreements are fair and reasonable and it is approved by Independent Shareholders by way of poll at the SGM.

The Independent Board Committee which comprises all the independent non-executive Directors, namely Mr. Ho Yew Yuen, Mr. Seah Kok Khong, Manfred and Mr. Teng Cheong Kwee, has been established by the Company to make a recommendation to the Independent Shareholders regarding the Distribution In Specie, the Supply Framework Agreement, the Service Agreements, the CB Subscription Agreement (as supplemented and amended by the Supplemental CB Subscription Agreement) and the respective transactions contemplated thereunder. We, Amasse Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

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## LETTER FROM AMASSE CAPITAL

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### OUR INDEPENDENCE

As at the Latest Practicable Date, apart from the existing engagement in connection with the Distribution In Specie, the Supply Framework Agreement, the Service Agreements, the CB Subscription Agreement (as supplemented and amended by the Supplemental CB Subscription Agreement), the Listco Offers and the Privateco Offer, we do not and did not have any relationship (business, financial or otherwise) that amounted to a significant connection (as referred to in Rule 2.6 of the Takeovers Code) with the Company, Circle Brown or the Offeror within the past two years of a kind likely to create, or to create the perception of, a conflict of interest for us or which is reasonably likely to affect the objectivity of our advice.

### BASIS OF OUR OPINION

In formulating our opinions and recommendation, we have reviewed, among others, the Joint Announcement, the annual reports of the Company for the years ended 31 December 2016 and 2017, the clarification announcement dated 25 April 2018 issued by the Company and the joint announcement dated 22 June 2018 in relation to the Supplemental CB Subscription Agreement. We have relied on the accuracy of the information and facts contained or referred to in the Circular and provided to us by the management of the Company. We have assumed that all information and representations contained or referred to in the Circular were true and accurate at the time when they were made and continue to be true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the date of despatch of the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiries and considerations. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have reviewed sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion and recommendation. The Directors have declared in a responsibility statement set out in the Appendix IX to the Circular that they jointly and severally accept full responsibility for the accuracy of the information contained in the Circular. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Group. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Distribution In Specie, the Supply Framework Agreement, the Service Agreements, the CB Subscription Agreement (as supplemented and amended by the Supplemental CB Subscription Agreement).

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## LETTER FROM AMASSE CAPITAL

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Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Should there be any subsequent material change in such information after the despatch of the Circular, the Company should inform the Shareholders as soon as practicable in accordance with the Takeovers Code. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. We expressly disclaim any liability and/or any loss arising from or in reliance upon the whole or any part of the contents of this letter.

This letter is issued for the Independent Board Committee and the Independent Shareholders and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **PRINCIPAL FACTORS TAKEN INTO CONSIDERATION**

In formulating our opinions, we have taken into consideration the following principal factors and reasons:

#### **1. Backgrounds of the proposed Group Reorganisation, Distribution In Specie, the CB Subscription Agreement, the Supply Framework Agreement and the Service Agreements**

##### **1.1 Group Reorganisation**

The Group Reorganisation will be implemented to prepare for the separation of the Distributed Business from the Remaining Business in order to facilitate the Distribution In Specie. The Group Reorganisation will involve, among other things, an internal transfer of interests within the Group between the Remaining Group and the Privateco Group, as a result of which the Company will hold the entire equity interest in the Remaining Subsidiaries, to facilitate the Distribution In Specie.

Upon completion of the Group Reorganisation, the Group will be split into the Remaining Group and the Privateco Group, provided that the Group Reorganisation shall be conducted on terms which are (i) in compliance with all applicable laws and regulations of all relevant jurisdictions including Hong Kong, Singapore, the United Kingdom, India, Bermuda and BVI, and (ii) where applicable, pursuant to the requirements of the Hong Kong Stock Exchange, the SFC and the SGX-ST or such other governmental or regulatory bodies or authorities of competent jurisdiction.

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## LETTER FROM AMASSE CAPITAL

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The Group Reorganisation will not be completed unless the Independent Shareholders' approvals have been obtained at the SGM for the Distribution In Specie, the Supply Framework Agreement, the Service Agreements, the CB Subscription Agreement, the amendment to the terms of the 2004 Share Option Scheme, the amendment to the terms of the 2011 Share Option Scheme and the respective transactions contemplated thereunder.

### 1.2 Distribution In Specie

The Company proposes to declare and pay a dividend of approximately HK\$1.28 per Share to be satisfied wholly by the distribution of all of the Privateco Shares registered in its name to the Shareholders whose names appear on the register of members of the Company or in the Depository Register maintained by CDP (as the case may be) on the Record Date on the following basis:

**For every Share held . . . . . one Privateco Share**

The above dividend of approximately HK\$1.28 per Privateco Share is calculated with reference to the consolidated net asset value of the Privateco of approximately HK\$353 million based on the unaudited consolidated management account of the Privateco Group as at 31 December 2017, divided by 275,437,000 Privateco Shares currently expected to be in issue following completion of the Group Reorganisation.

### 1.3 The CB Subscription Agreement

On 18 April 2018, the Company, the Offeror and the Guarantor entered into the CB Subscription Agreement (as supplemented and amended by the Supplemental CB Subscription Agreement) pursuant to which the Company has agreed to issue, and the Offeror has agreed to subscribe, in cash, for the Convertible Bonds.

The principal terms of the Convertible Bonds are set out in the section headed "D. Possible Connected Transaction in relation to the issue of Convertible Bonds under the Specific Mandate by the Company to the Offeror" in the letter from the Board of the Circular.

### 1.4 The Supply Framework Agreement

The Remaining Group will be engaged in the distribution and after-sales services for products under brands owned by third parties and the Privateco Group in the PRC. The Privateco Group's own-brand products have been and are expected to continue to be sold to customers of the Remaining Group, as a supplement to the third-party products. In order to secure a stable source of instruments supply and assist the Remaining Group in meeting demands from customers subsequent to the Distribution In Specie, the Privateco Group and the Remaining Group entered into the Supply Framework Agreement to continue the existing scientific instruments supply arrangement between the Remaining Group and the Privateco Group.

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## LETTER FROM AMASSE CAPITAL

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Under the Supply Framework Agreement, the Privateco Group will continue to sell and the Remaining Group will continue to purchase various analytical instruments, life science equipment and laboratory instruments under the Privateco Group's own brands. The Supply Framework Agreement will take effect after, inter alia, obtaining the Independent Shareholders' approval at the SGM and completion of the Distribution In Specie, on a basis consistent with the historical transactions in the past years.

The Privateco Group will supply certain analytical instruments, life science equipment and laboratory instruments under the Privateco Group's own brands to the Remaining Group on normal commercial terms and on an arm's length basis, or on terms no less favourable than those available to the Privateco Group or the Remaining Group to or from their respective independent third parties, subject to the terms of the Supply Framework Agreement.

The Privateco Group and the Remaining Group will enter into individual agreement with respect to each sale and purchase transaction of the relevant products from time to time. The terms of these individual agreements shall only contain provisions which are consistent with the terms of the Supply Framework Agreement.

The principal terms of the Supply Framework Agreement are set out in the section headed "E. Special Deals and Continuing Connected Transactions" in the letter from the Board of the Circular.

### **1.5 The Service Agreements**

The overall management and operations of the Remaining Group are currently governed by the Directors, including Mr. Lo and Mr. Chan. After the Sale and Purchase Completion and the first closing date of the Listco Offers, all the existing Directors will resign as Directors pursuant to the terms of the SPA I. In order to achieve a smooth transition of responsibilities and support the business development of the Remaining Group following the Sale and Purchase Completion, Techcomp Scientific, a Remaining Subsidiary, entered into (i) the Mr. Lo's Service Agreement with Mr. Lo and (ii) the Mr. Chan's Service Agreement with Mr. Chan, pursuant to which each of Mr. Lo and Mr. Chan will be appointed as consultant of Techcomp Scientific, which will wholly own the Remaining Subsidiaries upon completion of the Group Reorganisation. The above appointments will become effective after all the conditions precedent set out in the Circular have been satisfied.

Pursuant to Mr. Lo's Service Agreement, Mr. Lo will be appointed as a consultant and be responsible for the overall management and operations of the Remaining Subsidiaries, including but not limited to the selection and appointment of senior management to assist the management and operation of the Remaining Subsidiaries after obtaining approval from the board of directors of Techcomp Scientific and (if required) the Board (such approvals shall not be unreasonably withheld or delayed), and charting and reviewing of the corporate directions and strategies and such other responsibilities in relation to the Remaining Subsidiaries as agreed between the board of directors of Techcomp Scientific and Mr. Lo.



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## LETTER FROM AMASSE CAPITAL

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Pursuant to Mr. Chan's Service Agreement, Mr. Chan will be appointed as consultant and be responsible for formulating and monitoring the Remaining Subsidiaries' overall strategic plan, the Remaining Subsidiaries' sales and overall operations in the PRC and Macau.

The principal terms of the Service Agreements are set out in the section headed "E. Special Deals and Continuing Connected Transactions" of the Circular.

### **2. Reason for the proposed Distribution In Specie, CB Subscription, the Supply Framework Agreement and the Service Agreements**

#### **2.1 Reason for the proposed Distribution In Specie**

As set out in Company's annual report for the year ended 31 December 2017, the PRC is the leading market for the Group's business, contributing approximately 73.0% of the Group's total revenue. The Remaining Business constitutes the Group's mature distribution business in the PRC, including distribution and aftersales services in this geographic market.

As set out in the Circular, the Group's manufacturing business of own-brand laboratory instruments will not be included in the Remaining Business. Management of the Group has made efforts to grow the manufacturing business in recent years by way of business acquisitions in the PRC, Europe and the US, with the strategic goal of expanding production facilities and increase the scale of the Group's manufacturing activities to benefit from better economies of scale, thereby reducing costs of production. Expansion of the manufacturing arm was achieved partly by vertical integration through the acquisition of manufacturers such as HCC S.A.S in France (2009) and Precisa Gravimetrics AG in Switzerland (2010). The manufacturing business has always been managed separately from the distribution business. However, consistent levels of profitability were not achieved. The integration of acquired businesses and with it the capturing of a larger market share in relevant markets proved challenging. This was partly due to a continuing increase in expenditures related to product development costs and new business lines previously introduced. In particular, significant expenses relating to research and development were incurred in the past few years, but the relevant research results did not translate into significant breakthrough in existing products or increase in revenue of the Privateco Group in past years. In addition, the Group relocated the manufacturing facilities for the production of gas chromatograph, which the Group acquired in late 2014, from the United States to Europe in 2016. Such relocation and the re-establishment of supply chain for this business division caused a loss of approximately US\$7 million in 2016 higher than that of 2015. Given the above, management of the Group has continued to focus its efforts on increasing the operational efficiency of its own-brand manufacturing product lines, with a view to the manufacturing business increasingly contributing to the overall profitability of the Group in the future. However, this was met only with limited success.

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## LETTER FROM AMASSE CAPITAL

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Against this backdrop, during negotiations between the parties to each of the SPA I and the SPA II, the Purchaser has expressed its wish not to acquire the Distributed Business, and Mr. Lo has used the negotiations with the Purchaser as an opportunity to consider a restructuring of the business such that the manufacturing arm would not form part of the Group following completion of the Group Reorganisation and the Distribution In Specie. In addition, the Purchaser, in line with its strategy to bring higher technology products to the PRC market, does not wish to acquire the Group's manufacturing operation, which has relatively lower marketability prospects and profitability.

**The Group Reorganisation and the Distribution In Specie, together with the SPA I, the SPA II, the Listco Offers, the Privateco Offer, the Supply Framework Agreement, the Service Agreements, and the CB Subscription Agreement can be regarded as a package. None of the aforementioned will proceed unless the Independent Shareholders approve the Distribution In Specie, the Supply Framework Agreement, the Service Agreements, the CB Subscription Agreement, the amendment to the terms of the 2004 Share Option Scheme, the amendment to the terms of the 2011 Share Option Scheme and the respective transactions contemplated thereunder at the SGM.**

We consider that the Distribution In Specie, the SPA I, the SPA II, the Listco Offers, the Privateco Offer, the Supply Framework Agreement, the Service Agreements, the CB Subscription Agreement and the amendment to the terms of each of 2004 Share Option Scheme and 2011 Share Option Scheme (collectively the **"Share Option Schemes"**) that form a package is in the interest of the Shareholders after considering:

- (i) the Privateco Group had been loss making for the past three years, completion of the Distribution In Specie will improve the overall profitability of the Group;
- (ii) completion of the Distribution In Specie, SPA I and the SPA II will ultimately lead to the Privateco Offer and the Listco Offers which, in turn, will provide the Independent Shareholders an option to either hold on to their investment in the Group or to realise them for cash;
- (iii) the Supply Framework Agreement will secure a stable source of instruments supply and assist the Remaining Group in meeting demands from customers subsequent to the Distribution In Specie;
- (iv) the Service Agreements will ensure the smooth handover of the business of the Remaining Group and support the business development of the Remaining Group following the Distribution In Specie;
- (v) With reference to "Appendix V – Unaudited Pro Forma Financial Information of the Remaining Group" to the Circular, we have noted from the unaudited pro forma consolidated statement of financial position of the Remaining Group that the bank balances and cash as at 31 December 2017 would be approximately US\$7.67 million, while the administrative expenses recorded in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31

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## LETTER FROM AMASSE CAPITAL

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December 2017 would be approximately US\$10.50 million. The CB Subscription Agreement will provide an additional source of financing at a lower cost for general working capital purpose should the Remaining Group experience unexpected short fall in general working capital;

- (vi) the adjustment to the exercise prices of the Shares Options (the “**Exercise Prices Adjustment**”) issued under each of the Share Option Schemes is pursuant to existing terms of the Share Option Schemes as a result of the Distribution in Specie and the proposed amendments to each of the Share Option Schemes (i.e. allow an independent financial adviser or auditors to issue written confirmation on the aforesaid adjustment to the exercise price of the Share Options) and to reflect that certain Singaporean laws and regulations are no longer applicable to the 2011 Share Option Scheme) is only to facilitate the Exercise Price Adjustment and subsequently the Listco Offers, and save for that, there is no other changes to terms of the Share Option Schemes.

Despite the above transactions are formed as a package, we noted that there is separate resolution in respect of each of the CB Subscription Agreement, Distribution In Specie, the Supply Framework Agreement, Mr. Lo’s Service Agreement, Mr. Chan’s Service Agreement, the amendment to the 2004 Share Option Scheme and the 2011 Share Option Scheme, as such, the Independent Shareholders shall have the right to consider and vote for each of the transactions above. We, as the Independent Financial Adviser, have expressed our opinions on the fairness and the reasonableness on each of the Distribution In Specie, the Supply Framework Agreement, the Service Agreements and the CB Subscription Agreement (as supplemented and amended by the Supplemental CB Subscription Agreement) on their own merits.

As opposed to an outright disposal of the Distributed Business to Mr. Lo, the Distribution In Specie and the Privateco Offer together provide an opportunity for the Independent Shareholders to keep or, through the Privateco Offer which will be unconditional when made, to realise in cash their investments in the Distributed Business. The Privateco Offer provides an alternative to the Independent Shareholders to realise all or part of their shareholdings in Privateco in cash at HK\$0.84 per Privateco Share, which is not a listed security and will have less liquidity than listed securities. Following the Sale and Purchase Completion and the Distribution In Specie, the Purchaser is obliged to make the Listco Offers, at HK\$3.267 per Offer Share and at respective “see-through” Listco Option Offer Price per Share Option (please refer to the Appendix I to the Circular for further information). The combined result of the Privateco Offer and the Listco Share Offer will provide an opportunity for the other Shareholders to realise their investment in the Company at a combined price of up to HK\$4.107 (if they opt to accept both the Privateco Offer and the Listco Share Offer), which represents premiums of approximately 67.0% and 63.0% over the closing price of HK\$2.46 per Share on the Last Trading Day and the last closing price of HK\$2.52 per Share on 22 May 2017, being the day immediately before the MOU Announcement.

The Board (excluding the Independent Board Committee which will provide its recommendations after considering the advice of the independent financial adviser in the relevant offer documents respectively), having regard to the average closing prices of the Shares in the past three years, which have, on average, been traded at a price substantially lower than the

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## LETTER FROM AMASSE CAPITAL

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aggregate price of the Listco Share Offer and the Privateco Offer, and in view of the Vendors' expression that they intend to retain the Distributed Business, considers that it is in the interests of the Independent Shareholders to be provided with an opportunity to consider and, if thought fit, approve the relevant resolution for the Distribution In Specie at the SGM. The Listco Option Offer provides an opportunity for the Optionholders to realise their Share Options at the respective "see-through" Listco Option Offer Prices.

The Group Reorganisation is a pre-condition for achieving the Distribution In Specie, which leads to the Privateco Offer. In addition, the passing of an ordinary resolution by the Independent Shareholders at the SGM to approve the Distribution In Specie, as a condition precedent to the Sale and Purchase Completion, will ultimately lead to the Listco Offers. In order to facilitate the Distribution In Specie, the Board proposes that the Group Reorganisation be implemented.

After reviewing "Appendix III – Accountant's Report of the Privateco" to the Circular, we noted that the Privateco Group had recorded a loss for each of the three years ended 31 December 2015, 2016 and 2017.

Having considered that (i) after completion of the Distribution In Specie (where the Privateco Group had been loss making in the past three years), the overall profitability of the Group, a listed vehicle, is expected to improve; and (ii) all existing Shareholders are entitled to receive their equity interest in the Privateco Group on a pro rata basis, we consider that the Distribution In Specie is in the interest of the Company and the Independent Shareholder as a whole.

### **2.2 Reason for the CB Subscription Agreement**

The Directors consider that the issue of the Convertible Bonds will provide the Company with an opportunity to raise additional funds to further strengthen the financial position of the Remaining Group to facilitate any possible future development of the Remaining Business without immediate dilution of the shareholding of the existing Shareholders and, if the conversion rights attaching to the Convertible Bonds are exercised, the capital base of the Company will be enlarged.

The gross proceeds from the issue of the Convertible Bonds may range from zero to a maximum amount of approximately HK\$253,361,998. Subject to the actual amount of net proceeds to be received from the issue of the Convertible Bonds, if any, it is intended that a substantial portion (i.e. no less than 65%) of the net proceeds will be used as general working capital of the Remaining Group; while any remaining portion will be used for financing any potential business development of the Remaining Group as mentioned in the Appendix I to the Circular. According to the letter from the Board, the Directors and the Offeror currently do not expect the proceeds from the issue of the Convertible Bonds will be an important source for (i) the working capital required for the operation of the Remaining Group nor (ii) the fund required for its business development. Rather, the proceeds represent a source of financing having a relatively low cost as compared to the weighted average interest rate of the Company's bank borrowings for the year ended 31 December 2017. As further advised by the management of the Group, no material impact is expected to be brought to the Remaining Group's operation in case the amount of proceeds from the issue of the Convertible Bonds is zero or inconsequential. In case the amount of proceeds is inconsequential, such full amount will be utilized as general working capital of the Remaining Group.

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## LETTER FROM AMASSE CAPITAL

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With reference to “Appendix V – Unaudited Pro Forma Financial Information of the Remaining Group” to the Circular, we have noted from the unaudited pro forma consolidated statement of financial position of the Remaining Group that the bank balances and cash as at 31 December 2017 would be approximately US\$7.67 million, while the administrative expenses recorded in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017 would be approximately US\$10.50 million. As advised by the management of the Group, the proceeds from the subscription of the Convertible Bonds represent a source of financing having a relatively low cost as compared to the weighted average interest rate of the Company’s bank borrowings for the year ended 31 December 2017. In view of above, we are of the view that the entering into of the CB Subscription Agreement is fair and reasonable as it will provide an additional source of financing at a lower cost for general working capital purpose should the Remaining Group experience unexpected short fall in general working capital.

### **2.3 Reason for the Supply Framework Agreement**

The Remaining Group will be engaged in the distribution and after-sales services for products under brands owned by third parties and the Privateco Group in the PRC. The Privateco Group’s own-brand products have been and are expected to continue to be sold to customers of the Remaining Group, as a supplement to the third-party products. In order to secure a stable source of instruments supply and assist the Remaining Group in meeting demands from customers subsequent to the Distribution In Specie, the Privateco Group and the Remaining Group entered into the Supply Framework Agreement to continue the existing scientific instruments supply arrangement between the Remaining Group and the Privateco Group.

With reference to the sub-section headed “Information on the Distributed Business and the Remaining Business” under the section headed “B. Proposed Group Reorganisation and Distribution In Specie of the Privateco Shares” in the letter from the Board of the Circular, approximately 23.2% of the Remaining Group’s cost of goods sold were related to products sourced from the Privateco Group for the year ended 31 December 2017. As the Supply Framework Agreement will secure a stable source of instruments supply (the instruments to be supplied under the Supply Framework Agreement will be the Privateco’s own-brand products with its own technical specifications, as such it is not that straightforward for the Remaining Group to identify alternative suppliers given that those instruments are self-manufactured as well as self-brand products of the Privateco Group) and assist the Remaining Group in meeting demands from customers subsequent to the Distribution In Specie, we are of the view that the entering into the Supply Framework Agreement is fair and reasonable.

### **2.4 Reason for the Service Agreements**

The overall management and operations of the Remaining Group are currently governed by the Directors, including Mr. Lo and Mr. Chan. After the Sale and Purchase Completion and the first closing date of the Listco Offers, all the existing Directors will resign as Directors pursuant to the terms of the SPA I. In order to achieve a smooth transition of responsibilities and support the business development of the Remaining Group following the Sale and Purchase Completion, Techcomp Scientific, a Remaining Subsidiary, entered into (i) the Mr. Lo’s Service Agreement with Mr. Lo and (ii) the Mr. Chan’s Service Agreement with Mr. Chan, pursuant to which each of Mr. Lo and Mr. Chan will be appointed as consultant of Techcomp Scientific, which will wholly own the Remaining Subsidiaries upon completion of the Group Reorganisation.

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## LETTER FROM AMASSE CAPITAL

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Pursuant to Mr. Lo's Service Agreement, the proposed remuneration of Mr. Lo will be HK\$2,400,000 (equivalent to approximately US\$307,692), which represents a premium of approximately 56.99% when compared to Mr. Lo's basic salaries and allowance of US\$196,000 for the financial year ended 31 December 2017. While pursuant to Mr. Chan's Service Agreement, the proposed remuneration of Mr. Chan will be HK\$960,000 (equivalent to approximately US\$123,077), which represents a discount of approximately 3.09% when compared to Mr. Chan's basic salaries and allowance of US\$127,000 for the financial year ended 31 December 2017. An analysis on the basis of the proposed remuneration under each of the Service Agreements is set out on the sub-section headed "7.2 Basis of the remuneration under each of the Service Agreements as below.

As advised by the Management, we were given to understand that (i) under his current role as a Director, Mr. Lo's major job duties include the overall management and operations of the Remaining Subsidiaries, including but not limited to decision making on corporate directions and strategies and making plans for future development and organizational structure. Under the Mr. Lo's Service Agreement, Mr. Lo will undertake substantially the same job duties as mentioned above, but additionally, Mr. Lo will provide new scope of services, particularly assisting in handover of the business of the Remaining Group to the Offeror such as the development of customer and supplier relationship with the new Group management and reporting to the then new board of directors of the Company. Mr. Lo also agreed to take up such other job duties in relation to the Remaining Subsidiaries as may determine between the board of directors of Techcomp Scientific and Mr. Lo; and (ii) Mr. Chan's major job duties under the current role as a Director and as a consultant under the Mr. Chan's Service Agreement will be substantially the same, which is responsible for the formulating and monitoring the Remaining Subsidiaries' overall strategic plan, particularly their sales and overall operations in the PRC.

Given Mr. Lo's and Mr. Chan's long-standing familiarity, experience and domain knowledge of the business, their consultancy services in the coming two years will help to ensure the smooth handover of the business of the Remaining Group and support the business development of the Remaining Group following the Distribution In Specie. Hence, we are of the view that the entering into the Service Agreements is fair and reasonable.

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## LETTER FROM AMASSE CAPITAL

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### **3. Information and financial performance of the Group, the Privateco Group and the Remaining Group**

The Company is a company incorporated in Bermuda with limited liability and its Shares are primary listed on the Main Board of the Hong Kong Stock Exchange and secondary listed on the Main Board of the SGX-ST. The Group is a scientific equipment manufacturer, distributor and after-sales services provider of analytical instruments, life science equipment and laboratory instruments in the PRC and overseas. The Group's two principal business segments comprise (i) equipment distribution together with the provision of after-sales services, and (ii) the manufacturing of own-brand laboratory instruments.

Immediately after completion of the Group Reorganisation, the Distribution In Specie, the Sale and Purchase Completion, but before commencement of the Listco Offers and the Privateco Offer, the Privateco Group will principally engage in the Distributed Business and the Remaining Group will principally engage in Remaining Business.

The Distributed Business to be operated by the Privateco Group will consist of the business of the Group other than the Remaining Business. This includes the design, development, manufacturing of various analytical instruments under the Privateco Group's own brands such as "Techcomp", "Dynamica", "Edinburgh Instrument", "Froilabo", "Precisa" and "Scion", and the distribution and provision of after-sales services for analytical instruments manufactured by third parties, primarily outside the PRC. The Privateco Group operates manufacturing facilities in the PRC, the US and Europe. Pursuant to the Group Reorganisation, shareholding interests in the members of the Group other than the Remaining Subsidiaries will be transferred to the Privateco Group.

The Remaining Business under the Remaining Group will be engaged in the distribution and after-sales services for third party brands such as "Amtek", "BioPek", "Bruker", "Coy", "Edax", "Hermle", "Hitachi", "Kurabo", "Millrock", "Nuaire", "Oxford", "Park", "Sonics", "Tomy" and "Uvp", as well as brands owned by the Distributed Business, primarily in the PRC. The Remaining Group has established its operations in the PRC over 28 years ago, and as at the Latest Practicable Date, it has a wide distribution presence in the PRC with 14 offices and over 300 employees. The Remaining Group has a wide distribution presence in the PRC with offices in Beijing, Shenzhen, Lanzhou, Chengdu, Chongqing, Fuzhou, Guangzhou, Jinan, Shanghai, Shenyang, Tianjin, Wuhan, Yunan and Xian. Staff of the Remaining Group includes experienced senior management with long service tenure, over 100 sales and market representatives, and over 80 service engineers, who possess relevant technical knowledge required to provide services to customers, including discussion with potential customers on product specifications, provision of after-sale services including testing, training and maintenance services. The Remaining Group offers a broad range of scientific instruments including chromatographs, spectrophotometers, electronic microscopes, life science and general laboratory instruments, with specialised and customised hardware and software, to provide solutions and facilitate scientific analysing or testing to a variety of businesses and institutions, including universities, research institutions, companies in the industrial sector and government agencies. The Remaining Group intends to focus its distribution capabilities on sales in the PRC and source certain products from the Privateco Group as a supplement to the above mentioned third party products, as further detailed in the sub-section headed "Supply Framework Agreement" under the section headed "E. Special Deals And Continuing Connected Transactions" in the letter from the Board of the Circular.

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## LETTER FROM AMASSE CAPITAL

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Further details of the information on the Group, the Privateco Group and the Remaining Group are set out in the sub-section headed “Information on the Distributed Business and the Remaining Business” under the section headed “B. Proposed Group Reorganisation and Distribution In Specie of the Privateco Shares” in the letter from the Board of the Circular.

### 3.1 Financial performance of the Group

The audited consolidated net asset value of the Company as at 31 December 2017 was approximately US\$82,115,000. The audited consolidated net asset value per Share as at 31 December 2017 was approximately US\$0.30.

Set out below is a summary of the consolidated financial information on the Group's operations for each of the three years ended 31 December 2015, 2016 and 2017 as extracted from the annual report of the Company for the year ended 31 December 2016 (the “**2016 Annual Report**”) and for the year ended 31 December 2017 (the “**2017 Annual Report**”).

	<b>For the year ended 31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	(audited)	(audited)	(audited)
Revenue	199,374	183,043	171,905
Gross profit	55,069	60,369	55,472
Net profit/(loss) before taxation	1,484	902	3,580
Net profit/(loss) after taxation	986	614	3,275
	<b>As at 31 December</b>		
	<b>2017</b>	<b>2016</b>	
	<i>US\$'000</i>	<i>US\$'000</i>	
	(audited)	(audited)	
Total assets		165,853	168,248
Total liabilities		83,738	88,005
Net assets attributable to owners of the Company		83,350	81,136



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## LETTER FROM AMASSE CAPITAL

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### ***Financial performance for the year ended 31 December 2017***

For the year ended 31 December 2017 (“**FY2017**”), the Group recorded revenue of approximately US\$199.4 million, representing an increase of 9.0% as compared to that of approximately US\$183.0 million for the year ended 31 December 2016 (“**FY2016**”). The increase in revenue was mainly due to (i) revenue for the distribution business increased by 9.1% to US\$128.9 million in FY2017 from US\$118.1 million in FY2016; (ii) revenue for the manufacturing business increased by 8.5% to US\$70.4 million in FY2017 from US\$64.9 million in FY2016.

The gross profit of the Group was approximately US\$55.1 million for FY2017, representing a decrease of 8.8% as compared to that of approximately US\$60.4 million in FY2016, and gross profit margin was 27.6%, a decrease of 5.4% when compared to that of 33.0% for FY2016.

The Company’s net profit after taxation was approximately US\$1.0 million for the FY2017, representing an increase of 66.7% as compared to approximately US\$0.6 million for FY2016 due to the decrease in administrative expenses and research and development costs for the year.

### ***Financial performance for the year ended 31 December 2016***

For FY2016, the Group recorded revenue of approximately US\$183.0 million, representing an increase of 6.5% as compared to that of approximately US\$171.9 million for the year ended 31 December 2015 (“**FY2015**”). The increase in revenue was mainly due to (i) revenue for the distribution business increased by 8.2% to US\$118.1 million in FY2016 from US\$109.2 million in FY2015 mainly due to the increase in revenue for the distribution business in the PRC market; and (ii) revenue for the manufacturing business increased by 3.5% to US\$64.9 million in FY2016 from US\$62.7 million in FY2015 mainly attributable to the sales of gas chromatograph.

The gross profit of the Group was approximately US\$60.4 million for FY2016, representing an increase of 8.8% as compared to that of approximately US\$55.5 million in FY2015, and gross profit margin was 33.0%, a slight increase of 0.7% when compared to that of 32.3% for FY2015.

The Company’s net profit after taxation was approximately US\$0.6 million for FY2016, representing a decrease of 81.3% as compared to approximately US\$3.3 million for FY2015 mainly due to the set-up of manufacturing facilities in Europe for the production of gas chromatograph and the increase in research and development costs for the year.

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## LETTER FROM AMASSE CAPITAL

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### ***Financial position as at 31 December 2017***

The total assets of the Group was approximately US\$165.9 million as at 31 December 2017, representing a decrease of 1.4% as compared to that of approximately US\$168.2 million as at 31 December 2016.

The total liabilities of the Group was approximately US\$83.7 million as at 31 December 2017, representing a decrease of 4.8% as compared to that of approximately US\$88.0 million as at 31 December 2016.

As at 31 December 2017, the net asset attributable to owners of the Company increased approximately 2.7% from approximately US\$81.1 million as at 31 December 2016 to approximately US\$83.4 million.

### **3.2 Financial information of the Privateco Group**

Set out below is a summary of the historical financial information of the Privateco Group for each of the three years ended 31 December 2015, 2016 and 2017 as extracted from the section headed "Appendix III – Accountant's Report of the Privateco".

The combined net liability value of the Privateco Group as at 31 December 2017 was approximately US\$29,375,000. The combined net liability value per Privateco Share as at 31 December 2017 was approximately US\$0.11.

	<b>For the year ended 31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	81,638	72,904	76,080
Gross profit	29,237	25,735	28,147
Net profit/(loss) before taxation	(3,597)	(13,153)	(4,184)
Net profit/(loss) after taxation	(3,625)	(13,132)	(3,999)
<b>As at 31 December</b>			
	<b>2017</b>	<b>2016</b>	
	<i>US\$'000</i>	<i>US\$'000</i>	
Total assets	80,399	79,016	
Total liabilities	109,774	105,611	
Net (liabilities) attributable to owners of the Privateco Group	(28,140)	(25,702)	

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## LETTER FROM AMASSE CAPITAL

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### ***Financial performance for the year ended 31 December 2017***

For the FY2017, the Privateco Group recorded revenue of approximately US\$81.6 million, representing an increase of 11.9% as compared to that of approximately US\$72.9 million for the FY2016. The increase in revenue was mainly due to growth in demand for Privateco Group's products.

The gross profit of the Privateco Group was approximately US\$29.2 million for FY2017, representing an increase of 13.6% as compared to that of approximately US\$25.7 million in FY2016, and gross profit margin was 35.8%, an increase of 0.5% when compared to that of 35.3% for FY2016.

The Privateco Group's net loss after taxation was approximately US\$3.6 million for the FY2017, representing a decrease of 72.5% as compared to approximately a net loss after taxation of US\$13.1 million for FY2016 due to the consolidation of the manufacturing facilities and the decrease in research and development costs.

### ***Financial performance for the year ended 31 December 2016***

For FY2016, the Privateco Group recorded revenue of approximately US\$72.9 million, representing a decrease of 4.2% as compared to that of approximately US\$76.1 million for the FY2015. The decrease in revenue was mainly due to the depreciation of currencies such as GBP and Euro Dollars which certain portions of revenue are denominated in.

The gross profit of the Privateco Group was approximately US\$25.7 million for FY2016, representing a decrease of 8.5% as compared to that of approximately US\$28.1 million in FY2015, and gross profit margin was 35.3%, a slight decrease of 1.6% when compared to that of 36.9% for FY2015.

The Privateco Group's net loss after taxation was approximately US\$13.1 million for FY2016, representing an increase of 227.5% as compared to net loss after taxation of approximately US\$4.0 million for FY2015 mainly due to the set-up of manufacturing facilities in Europe for the production of gas chromatograph and the increase in research and development costs.

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## LETTER FROM AMASSE CAPITAL

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### **Financial position as at 31 December 2017**

The total assets of the Privateco Group was approximately US\$80.4 million as at 31 December 2017, representing an increase of 1.8% as compared to that of approximately US\$79.0 million as at 31 December 2016.

The total liabilities of the Privateco Group was approximately US\$109.8 million as at 31 December 2017, representing an increase of 4.0% as compared to that of approximately US\$105.6 million as at 31 December 2016.

As at 31 December 2017, the net liabilities attributable to owners of the Privateco Group increased approximately 9.3% from approximately US\$25.7 million as at 31 December 2016 to approximately US\$28.1 million.

### **3.3 Financial Information of the Remaining Group**

Set out below is a summary of the unaudited pro forma financial information of the Remaining Group for each of the three years ended 31 December 2015, 2016 and 2017 extracted from the section headed "Appendix IV – Management Discussion and Analysis of the Remaining Group" and provided by the management of the Group on a pro forma basis.

The consolidated net asset value of the Remaining Group as at 31 December 2017 was approximately US\$39.4 million. The consolidated net asset value per Share as at 31 December 2017 was approximately US\$0.14.

	<b>For the year ended 31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	145,500	133,200	114,900
Net profit/(loss) after taxation	(8,800)	300	(6,200)
<b>As at 31 December</b>			
	<b>2017</b>	<b>2016</b>	
	<i>US\$'000</i>	<i>US\$'000</i>	
Total assets	90,704	94,482	
Total liabilities	(51,266)	(59,696)	
Net asset attributable to owners of the Remaining Group	39,438	34,786	

*Note:* The above financial information of the Remaining Group for each of the three years ended 31 December 2015, 2016, 2017 included all pro forma adjustments in relation to the Group Restructuring extracted from "Appendix V – Unaudited Pro Forma Financial Information of the Remaining Group".

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## LETTER FROM AMASSE CAPITAL

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### ***Financial performance for the year ended 31 December 2017***

For the FY2017, the Remaining Group recorded revenue of approximately US\$145.5 million, representing an increase of 9.2% as compared to that of approximately US\$133.2 million for the FY2016. The increase in revenue was mainly due to increased demand for scientific equipment in the PRC.

The Remaining Group's net loss after taxation was approximately US\$8.8 million for the FY2017, as compared to a net profit after taxation of approximately US\$0.3 million for FY2016 due to lower gross profit margins attributable to the unfavorable exchange rate change in product mix and the provision for estimated restructuring costs for the Remaining Group of approximately US\$1.2 million and the loss on distribution in specie of shares in a subsidiary for the Remaining Group of approximately US\$12.2 million.

### ***Financial performance for the year ended 31 December 2016***

For FY2016, the Remaining Group recorded revenue of approximately US\$133.2 million, representing an increase of 15.9% as compared to that of approximately US\$114.9 million for the FY2015. The increase in revenue was mainly due to the increase in sales in PRC.

The Remaining Group's net profit after taxation was approximately US\$0.3 million for FY2016, as compared to net loss after taxation of approximately US\$6.2 million for FY2015 mainly due to higher gross profit margins attributable to favorable exchange rate.

### ***Financial position as at 31 December 2017***

The total assets of the Remaining Group was approximately US\$90.7 million as at 31 December 2017, representing a decrease of 4.0% as compared to that of approximately US\$94.5 million as at 31 December 2016.

The total liabilities of the Remaining Group was approximately US\$51.3 million as at 31 December 2017, representing a decrease of 14.1% as compared to that of approximately US\$59.7 million as at 31 December 2016.

As at 31 December 2017, the net asset attributable to owners of the Remaining Group increased approximately 13.2% from approximately US\$34.8 million as at 31 December 2016 to approximately US\$39.4 million.

### **3.4 Prospects of the Privateco Group**

As stated in the paragraph headed “Background of Circle Brown and its intentions regarding the Privateco” set out in Appendix I to the Circular, it is the intention of Circle Brown that the Privateco Group will not make changes to its principal businesses nor conduct any business other than the Distributed Business. In addition, the Privateco Group will not hold any assets other than those relating to the Distributed Business, nor be injected with any major assets, nor dispose of any major assets, after the close of the Privateco Offer, unless prior approval by the holders of the Privateco Shares has been obtained. Interests of the Privateco Shareholders will be safeguarded by new articles of association of Privateco. A summary of key terms of the new articles of association of Privateco is included in the Circular. Though there is no intention for the Privateco Group to conduct any fundraising activities including rights issues, the Privateco Group may have to be restructured or strategic alternatives considered in light of the Privateco Group’s performance in recent years.

### **3.5 Prospects of the Remaining Group**

As stated in the paragraph headed “Future intentions of the Offeror in relation to the Company” set out in Appendix I to the Circular, following the close of the Listco Offers, the Offeror intends that the Remaining Group will continue and expand the Remaining Business. However, it is currently expected that during the period from 6 to 12 months following the close of the Listco Offers, the Offeror will conduct a detailed review of the business activities, operations and assets of the Remaining Group in order to formulate business plans and strategies for the future business development of the Remaining Group and to achieve commercially feasible and sustainable growth of the Remaining Group, including but not limited to, if deemed appropriate by the board of the Remaining Group, diversifying its income stream by way of acquisition(s), should appropriate opportunities arise.

After the completion of such review, the Offeror expects that synergies will be created between the businesses of YEIG Group and that of the Remaining Group. For instance, the Remaining Group may leverage on the YEIG Group’s resources to (i) enhance its market coverage in the PRC, (ii) expand its product offerings and (iii) strengthen its financial resources for business growth.

#### ***(i) Enhancing market coverage in the PRC***

As a prominent player in the energy sector in Yunnan Province of the PRC, the YEIG Group has extensive business operations across the region. The Remaining Group may leverage on such operational experience and established network to grow its customer base in the power supply and energy sectors.

Considering that the YEIG Group is also engaged in, among other things, the production and sale of salt and salt-related chemical products, it is expected that the Remaining Group will be able to provide relevant products and services to cater for the needs for research, development and production of salt and related chemicals.

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## LETTER FROM AMASSE CAPITAL

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Furthermore, with an aim to develop its operational footprint in the healthcare business, the YEIG Group has commenced preparation of certain projects with various business partners that possess the relevant experience and expertise, including hospitals, higher education institutions, research centres and medical laboratories. As such, the Offeror plans to leverage on its potential projects in the pipeline and its established vast network in the healthcare sector in the PRC to cultivate the growth of the Remaining Group's business.

It is currently expected that within 12 to 24 months following the close of the Listco Offers, the Remaining Group will be able to tap into the operational experience and established networks of the YEIG Group to grow its customer base in, among others, the power supply and energy, salt chemical production and healthcare sectors.

Moreover, the Remaining Group has cultivated sales channels and distribution capabilities across the PRC over the years and has historically not focused on the Southwest region of the PRC. Upon the close of the Listco Offers, the Remaining Group will be in a position to expand its business activities in the Southwest region of the PRC by leveraging on YEIG Group's resources, including an extensive network in the energy industry.

### ***(ii) Expanding product offerings***

This is also the Offeror's current intention to optimise the product portfolio of the Remaining Group within 18 to 36 months following the close of the Listco Offers to include value-added product auxiliary to the existing products such as reagent kits for various analytical instruments and development of dedicated software, application protocols and customisation for the end users in different industries, in which the Remaining Group does not currently possess relevant resources and experience, with reference to industries in which the YEIG Group is operating in.

### ***(iii) Strengthening financial resources for business growth***

Further, given the strong financial position of the YEIG Group, it is expected that the Remaining Group will be able to access sufficient financial resources in order to accelerate organic growth as well as capture any suitable market opportunities when funding is required.

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As further advised by the management of the Group, the potential synergy between the Remaining Group and YEIG Group could be achieved, including (i) the state-owned background of the YEIG Group can enable the Remaining Group to expand its customer base to the public sector of the PRC; and (ii) the mature sales and distribution channels of the YEIG Group in the Southwest region of the PRC can provide a platform for the Remaining Group to enter the district that currently not covered and after considering the above intention of the YEIG Group, we are of the view that the potential synergy between the YEIG Group and the Remaining Group is justifiable.

We noted that the Privateco Group had recorded a loss for each of the three years ended 31 December 2015, 2016 and 2017. Having considered that (i) after completion of the Distribution In Specie (where the Privateco Group had been loss making in the past three years), the overall profitability of the Group, is expected to improve; and (ii) all existing Shareholders are entitled to receive their equity interest in the Privateco Group on a pro rata basis, we consider that the separation of the Privateco Group and the Remaining Group is justifiable as well.

#### **4. The Group Reorganisation and the Distribution In Specie**

In formulating our opinion on the fairness and reasonableness of the terms of the Distribution In Specie and the voting decision thereof, we have considered the principal factors set out below:

##### **4.1 Principal terms**

As part of the Group Reorganisation, the Company proposes to declare and pay a dividend of approximately HK\$1.28 per Share to be satisfied wholly by the distribution of all of the Privateco Shares registered in its name to the Shareholders whose names appear on the register of members of the Company or in the Depository Register maintained by CDP (as the case may be) on the Record Date on the following basis:

**For every Share held ..... one Privateco Share**

The above dividend of approximately HK\$1.28 per Privateco Share is calculated with reference to the consolidated net asset value of the Privateco of approximately HK\$353 million based on the unaudited consolidated management account of the Privateco Group as at 31 December 2017, divided by 275,437,000 Privateco Shares currently expected to be in issue following completion of the Group Reorganisation.

For the avoidance of doubt, in the case of Shareholders (other than Non-Qualifying Shareholders) whose names appear on the Depository Register maintained by CDP as at 5:00 p.m. on the Record Date, CDP will direct the Company to transfer the Privateco Shares directly to such Depositors.



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## LETTER FROM AMASSE CAPITAL

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Unless requested by way of written request to the board of directors of Privateco by a holder of the Privateco Share, no share certificate will be issued in respect of the Privateco Shares upon completion of the Distribution In Specie and before the close of the Privateco Offer. No application will be made for the listing of, and permission to deal in, the Privateco Shares on the Hong Kong Stock Exchange, the SGX-ST or any other stock exchange.

As a result of the Distribution In Specie, Privateco and its subsidiaries will cease to be subsidiaries of the Company, and the Group will continue to carry on the Remaining Business, whilst the Privateco Group will continue to carry on the Distributed Business.

It is the intention of the relevant parties that the Distribution In Specie will be completed on the same date as the Sale and Purchase Completion. Subject to the completion of the Distribution In Specie, Somerley Capital will, on behalf of Circle Brown, make the Privateco Offer in accordance with the Takeovers Code. Therefore, the Privateco Offer will be made after completion of the Distribution In Specie and the Listco Offers will be made after the Sale and Purchase Completion.

Details of the terms of the Distribution In Specie are set out in the section headed "B. Proposed Group Reorganisation and Distribution In Specie of the Privateco Shares" in the letter from the Board of the Circular.

### **4.2 The combined result of the Privateco Offer and the Listco Share Offer**

Having considered that (i) the Distribution In Specie, the Listco Offers and the Privateco Offer are regarded as a package; (ii) the Privateco Offer will be made after completion of the Distribution In Specie and the Listco Offers will be made after the Sale and Purchase Completion (where it is the intention of the relevant parties that the Distribution In Specie will be completed on the same date as the Sale and Purchase Completion); (iii) the Privateco Shares will not be listed on any stock exchange and the Privateco Shareholders have an opportunity to realise all or part of their shareholdings in the Privateco Shares under the Privateco Offer; and (iv) the Shareholders have an opportunity to realise all or part of their shareholdings in the Shares under the Listco Offer, we consider it is fair and reasonable to analyse the Listco Offers and the Privateco Offer on a combined basis for the purpose of evaluating the potential return that the Independent Shareholders will be able to receive following completion of the Group Reorganisation and the Distribution In Specie. The detailed analysis on the Listco Offers and the Privateco Offer will be set out in the respective composite offer documents in relation to the Listco Offers and the Privateco Offer to be sent to the Shareholders and the Privateco Shareholders in the event that the Distribution In Specie are completed.

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## LETTER FROM AMASSE CAPITAL

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**(a) The Privateco Offer**

Upon completion of the Distribution In Specie, Somerley Capital will, on behalf of Circle Brown and pursuant to the Takeovers Code, make the Privateco Offer to the Privateco Shareholders to acquire all the issued Privateco Shares, other than those already owned or agreed to be acquired by Circle Brown and parties acting in concert with it.

**For every Privateco Share held . . . . . HK\$0.84 in cash**

**(b) The Listco Share Offer**

Immediately after the Sale and Purchase Completion, the Offeror and parties acting in concert with it will be interested in a total of 169,541,148 Shares, representing approximately 61.5% of the issued share capital of the Company assuming none of the outstanding Share Options have been exercised or approximately 58.3% of the issued share capital of the Company assuming all outstanding Share Options have been vested and exercised in full, so the Offeror will be required to make an unconditional mandatory cash general offer to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code. Pursuant to Rule 13.5 of the Takeovers Code, the Listco Option Offer would also be made to cancel all the outstanding Share Options (whether vested or not) in the period prior to the close of the Listco Share Offer.

**For every Offer Share held . . . . . HK\$3.267 in cash**

**(c) The Combined Offer**

The following analysis on the Listco Share Offer and the Privateco Offer as the combined offer (the “**Combined Offer**”) have been conducted on the assumption that the Independent Shareholders will be able to receive a potential aggregate cash consideration of HK\$4.107 (the “**Combined Offer Price**”) under the Combined Offer for every Share and Privateco Share held by them after the completion of the Group Reorganisation and the Distribution In Specie.

- (i) *Comparison of the Combined Offer Price with the market price and the net asset value per Share:*

The Combined Offer Price of HK\$4.107 per Share represents:

- (a) a premium of approximately 66.95% over the closing price of HK\$2.46 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;

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## LETTER FROM AMASSE CAPITAL

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- (b) a premium of approximately 79.34% over the average closing price of the Shares as quoted on the Hong Kong Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of HK\$2.29 per Share;
- (c) a premium of approximately 80.93% over the average closing price of the Shares as quoted on the Hong Kong Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$2.27 per Share;
- (d) a premium of approximately 73.29% over the average closing price of the Shares as quoted on the Hong Kong Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$2.37 per Share;
- (e) a premium of approximately 86.68% over the average closing price of the Shares as quoted on the Hong Kong Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of approximately HK\$2.20 per Share; and
- (f) a premium of approximately 74.03% over the audited consolidated net asset attributable to the owners of the Company of approximately HK\$2.36 per Share as at 31 December 2017 (calculated based on the audited consolidated equity attributable to the Shareholders of approximately US\$83.35 million as at 31 December 2017 (approximately HK\$650.13 million as at 31 December 2017 as disclosed in the Company's 2017 annual report) and 275,437,000 Shares in issue as at 31 December 2017).

According to the properties valuation of the Company's property interest set out in "Appendix VII – Property Valuation" of the Circular, the table below sets for the adjusted unaudited consolidated net asset attributable to the owners of the Company (the "**Adjusted NAV**") as at 31 December 2017:

	<i>US\$'000</i>
Audited consolidated net asset attributable to the owners of the Company as at 31 December 2017	83,350
Less: Net book value of the properties as at 31 December 2017	(6,865)
Add: Appraised value of the properties as at 30 April 2018, as set forth in Appendix VII	<u>22,670</u>
Adjusted NAV as at 31 December 2017	<u><u>99,155</u></u>

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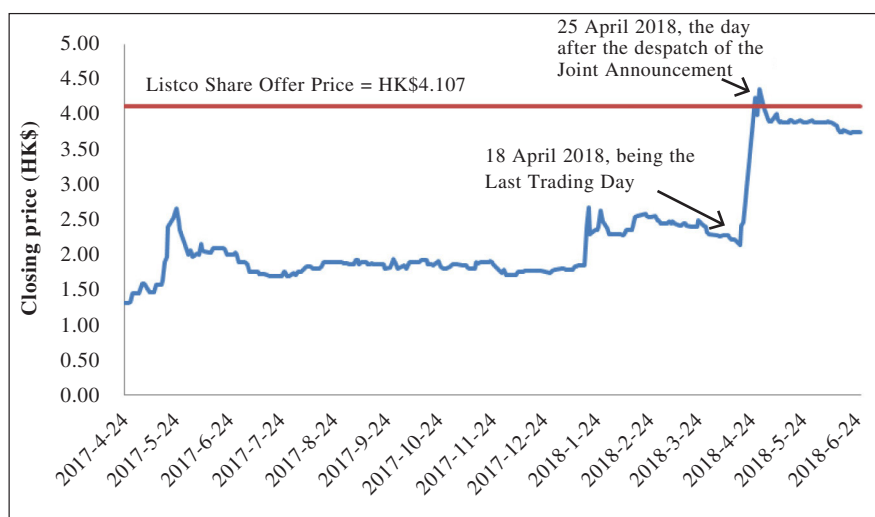
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The Combined Offer Price represents a premium of approximately 46.16% over the Adjusted NAV as at 31 December 2017 of approximately HK\$2.81 per Share calculated based on the appraised value of the properties and 275,437,000 Shares in issue as at 31 December 2017.

Based on the aforementioned, we note that the Combined Offer Price has a premium over the market price of the Shares and the audited consolidated net asset attributable to the owners of the Company per Share as at 31 December 2017 based on the annual report of the Company for the year ended 31 December 2017.

(ii) *Comparison of the Combined Offer Price with the historical price of the Shares*

We have compared the Combined Offer Price to historical market prices of the Shares over the 12-month period prior to the date of the Joint Announcement up to the Latest Practicable Date. The following chart depicts the daily closing prices of the Shares from 24 April 2017 (approximately 12 months prior to the date of the Joint Announcement) up to the Latest Practicable Date (the “**Review Period**”):



The closing prices of the Shares are in general remained stable in the period before the date of the Joint Announcement. Immediately after the date of the Joint Announcement to the Latest Practicable Date (the “**Post-announcement Period**”), the daily closing price of the Shares reached HK\$4.23 per Share recorded on 25 April 2017 and HK\$4.36 on 27 April 2018. We have enquired with the Directors regarding the possible reasons for such increase in the closing price of the Shares in the Post-announcement Period, and as confirmed by the Directors, save for the despatch of the Joint Announcement, the Directors were not aware of any happening which might have affected the closing price of the Shares.

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## LETTER FROM AMASSE CAPITAL

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As illustrated above, the Combined Offer Price has a premium over the closing prices of the Shares during the period from 24 April 2017 to the Last Trading Day, which ranged from HK\$1.32 to HK\$2.68. During the Review Period, the closing prices of the Shares ranged from HK\$1.32 to HK\$4.36 and such closing prices were below the Combined Offer Price except for two trading days when the closing price of HK\$4.23 (recorded on 25 April 2018) and HK\$4.36 (recorded on 27 April 2018) were higher than the Combined Offer Price respectively. The average of the closing prices of the Shares during the Review Period was approximately HK\$2.26. The Combined Offer Price represents a premium of approximately 81.73% over such average closing price.

As the Combined Offer Price has a premium of approximately 81.73% over the average closing price of the Shares during the Review Period, we consider that the premium in the Combined Offer Price would be attractive to the Independent Shareholders who are interested to realise all or part of their investments in the Company through the Listco Offers and the Privateco Offer.

*(iii) Comparison of the Combined Offer Price with price to earnings multiples*

In assessing the fairness and reasonableness of the Combined Offer Price, it is a general practice to make reference to other comparable companies. Given that the Company was profit making for the years ended 31 December 2015 to 2017 as stated in the 2016 and 2017 Annual Report, we adopted a comparable analysis with the price-to-earnings ratio (the “**PER**”) and the price-to-book ratio (the “**PBR**”) based on search of comparable companies listed in Hong Kong. We selected companies based on the following criteria: (i) principally engaged in the business of manufacturing and distribution of analytical instrument, life science equipment and laboratory instruments such as medical devices; (ii) recorded a net profit attributable to the owners of the respective companies in their latest annual reports for comparison; and (iii) currently listed on the Stock Exchange.

We found 8 Hong Kong listed companies (the “**Market Comparables**”) which meet the said criteria and they are exhaustive as far as we are aware of. Shareholders should note that the businesses, operations and prospects of the Group are not exactly the same as those of the Market Comparables.

## LETTER FROM AMASSE CAPITAL

Set out below are the PERs and PBRs of the Market Comparables based on their respective market capitalization as at the Latest Practicable Date and their respective latest published financial information:

Company Name	Principal Business	Closing Price (HKD) as at the Latest Practicable Date	Number of shares issued	Market Capitalization (HKD) as of the Latest Practicable Date (Note 1)	Net profit attributable to the owners of the Company disclosed in the respective latest published financial reports	Audited net asset value (HKD) attributable to the owners of the respective company disclosed in the respective latest published financial reports	PER as at the Latest Practicable Date (Note 2)	PBR as at the Latest Practicable Date (Note 3)
MicroPort Scientific Corporation (853)	manufacture and sales of medical products	9.57	1,462,103,343	13,992,328,993	146,819,400	3,132,503,400	95.30	4.47
Shandong Weigao Group Medical Polymer Company Limited (1066)	research and development, production and sale of single-use medical devices	5.82	4,522,332,324	26,319,974,126	2,075,908,800	16,005,805,200	12.68	1.64
LifeTech Scientific Corporation (1302)	manufacturing and marketing of minimally invasive interventional medical devices	2.5	4,336,290,000	10,840,725,000	196,166,400	1,263,331,200	55.26	8.58
Vincent Medical Holdings Limited (1612)	research, development, manufacture and trade of medical devices	0.66	637,650,000	420,849,000	13,155,000	365,185,000	31.99	1.15
Sisram Medical Limited (1696)	design, development, manufacture and distribution of energy cosmetic medicine and minimally invasive medical cosmetic treatment systems	5.39	442,155,600	2,383,218,684	86,182,200	2,285,212,800	27.65	1.04
Beijing Chunlizhengda Medical Instruments Company Limited (1858)	research and development, production and sale of implantable orthopedic medical devices	18.6	69,170,400	1,286,569,440	81,940,784	646,166,614	15.70	1.99
Yestar Healthcare Holdings Company Limited (2393)	manufacture and sale of medical imaging products	2.68	2,175,200,000	5,829,536,000	299,961,600	807,336,000	19.43	7.22
Modern Dental Group Limited (3600)	production and distribution of prosthetic devices	1.99	1,000,000,000	1,990,000,000	155,371,000	2,097,490,000	12.81	0.95
						<b>Maximum</b>	95.30	8.58
						<b>Minimum</b>	12.68	0.95
						<b>Median</b>	23.54	1.82
						<b>Average</b>	33.85	3.38
The Company	manufacture and distribution of analytical instrument, life science equipment and laboratory instruments	4.107 (Note 4, 5)	275,437,000	1,131,219,759 (Note 4, 5)	10,413,000	773,409,000	108.64 (Note 4)	1.46 (Note 5)

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*Notes:*

1. Market capitalisation is based on the number of shares in issue and the closing share price as at the Latest Practicable Date.
2. The PER of the Market Comparables were calculated based upon their respective market capitalization as at the Latest Practicable Date and divided by the net profit attributable to the owners of the respective companies disclosed in the respective latest published annual reports.
3. The PBR of the Market Comparables were calculated based upon their respective market capitalization as at the Latest Practicable Date and divided by the net asset value attributable to the owners of the respective companies disclosed in the respective latest published annual reports.
4. The implied PER of the Combined Offer Price was calculated based upon the Combined Offer Price multiplied by total number of issued Shares of 275,437,000 as at the Latest Practicable Date and then divided by the net profit attributable to the owners of the Company of approximately US\$1,335,000 (approximately HK\$10,413,000) for the year ended 31 December 2017 as extracted from the 2017 Annual Report.
5. The implied PBR of the Combined Offer Price was calculated based upon the Combined Offer Price multiplied by total number of issued Shares of 275,437,000 as at the Latest Practicable Date and then divided by the Adjusted NAV of approximately US\$99,155,000 (approximately HK\$773,409,000) as at 31 December 2017.
6. For information purposes only, the unadjusted net asset value attributable to the owners of the Company was approximately US\$ 83,350,000 (approximately HK\$650,130,000) for the year ended 31 December 2017 as extracted from the 2017 Annual Report.

As depicted in the above table, the PERs of the Market Comparables ranged from approximately 12.68 times to approximately 95.30 times, with a median of approximately 23.54 times and an average of approximately 33.85 times. Accordingly, the implied PER of the Combined Offer Price of approximately 108.64 times is above the upper end of the range and the average, the median of the PERs of the Market Comparables.

As depicted in the above table, the PBRs of the Market Comparables ranged from approximately 0.95 times to approximately 8.58 times, with a median of approximately 1.82 times and an average of approximately 3.38 times. Accordingly, although the implied PBR of the Combined Offer Price of approximately 1.46 times is below the average of the PBRs of the Market Comparables, it is above the median of the PBRs of the Market Comparables.

As set out in the table above, the implied PER of the Combines Offer Price is higher than the range of the historical PERs of the Market Comparables. While the implied PBR of the Combined Offer Price is below the average PBRs of the Market Comparables, it is higher than the median and within the range of the historical PBRs of the Market Comparables. Therefore, we consider the Combined Offer Price is fair and reasonable.

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## LETTER FROM AMASSE CAPITAL

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### 4.3 Historical trading liquidity of the Shares

The number of trading days, the average daily number of the Shares traded per month (the “**Average Volume**”), and the respective percentages of the Average Volume as compared to the total number of issued Shares during the Review Period are tabulated as below:

<b>Month</b>	<b>Number of trading days in each month <i>Number of days</i></b>	<b>Average Volume <i>in Shares</i></b>	<b>Percentage of the Average Volume to total number of issued Shares as at the end of each respective month % <i>(Note)</i></b>
<b>2017</b>			
April	5	43,400	0.016
May	19	206,316	0.075
June	22	31,136	0.011
July	21	10,000	0.004
August	22	9,727	0.004
September	21	17,857	0.006
October	20	19,550	0.007
November	22	27,136	0.010
December	19	18,632	0.007
<b>2018</b>			
January	22	321,318	0.117
February	18	59,056	0.021
March	21	38,667	0.014
April	15	2,932,628	1.065
May	21	444,405	0.161
June (up to and including the Latest Practicable Date)	17	259,941	0.094
		<b>Maximum</b>	1.065
		<b>Minimum</b>	0.004
		<b>Average</b>	0.107

*Note:* The calculation is based on the Average Volume divided by the total number of issued Shares at the end of each month during the Review Period (or at the Latest Practicable Date for 26 June 2018).



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## LETTER FROM AMASSE CAPITAL

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As illustrated above, during the Review Period, the Average Volume ranged from 0.004% to 1.065% for the total number of issued Shares as at the end of each respective month (or at the Latest Practicable Date for 26 June 2018). For the whole review period, the Average Volume was around 0.107% of total number of issued Shares and we therefore consider the trading liquidity of the Shares is relative low.

As the Shares are illiquid, disposal of large block of Shares held by the Shareholders in the open market may trigger price slump of the Shares. Given the low liquidity of the Shares, we consider that the Listco Offers and the Privateco Offer provide opportunities for the Independent Shareholders to realise all or part of their investments in the Company at a price above the historical market price of the Shares for 283 trading days out of 285 trading days (representing approximately 99.30% of the total number of trading days) during the Review Period, without having an adverse impact on the Share Price.

#### **4.4 The Listco Share Offer Price**

In making our analysis of the Listco Share Offer Price and for comparison purposes, we have made adjustments to the historical daily closing prices of the Shares (the **"Adjusted Prices"**) by deducting the offer price of HK\$0.84 per Privateco Share (the **"Privateco Offer Price"**). We take the Privateco Offer Price as the value of the Privateco Shares for adjustment purpose as there is no open market value for the Privateco Shares which are unlisted and the Privateco Shares (other than those already owned or agreed to be acquired by Circle Brown and parties acting in concert with it) are subject to the Privateco Offer at the Privateco Offer Price.

##### **(i) Comparison of the Listco Share Offer Price with the Adjusted Prices and the net asset value per Share:**

The Listco Share Offer Price of HK\$3.267 per Share represents:

- (a) a premium of approximately 101.67% over the adjusted closing price of HK\$1.62 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 125.31% over the average adjusted closing price of the Shares as quoted on the Hong Kong Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of HK\$1.45 per Share;
- (c) a premium of approximately 128.46% over the average adjusted closing price of the Shares as quoted on the Hong Kong Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$1.43 per Share;

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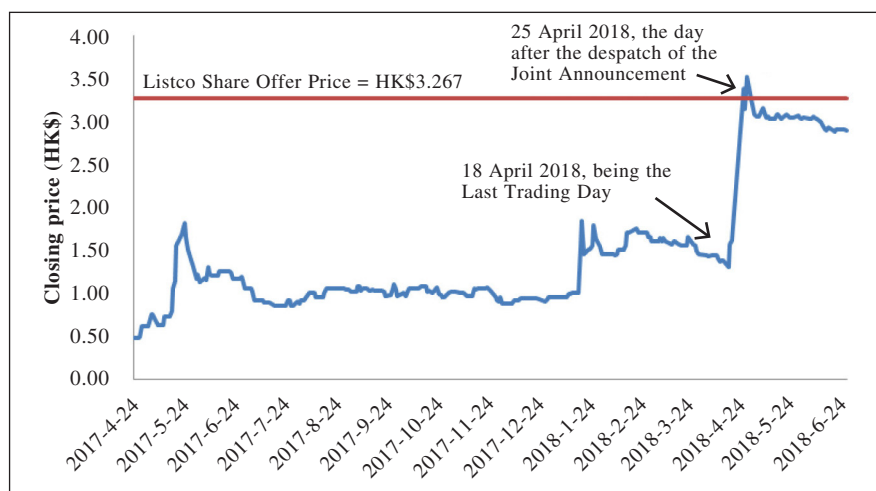
## LETTER FROM AMASSE CAPITAL

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- (d) a premium of approximately 113.53% over the average adjusted closing price of the Shares as quoted on the Hong Kong Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$1.53 per Share;
- (e) a premium of approximately 140.22% over the average adjusted closing price of the Shares as quoted on the Hong Kong Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of approximately HK\$1.36 per Share; and
- (f) a premium of approximately 191.70% over the unaudited pro forma consolidated net asset attributable to the owners of the Remaining Group of approximately HK\$1.12 per Share as at 31 December 2017 (calculated based on the unaudited pro forma consolidated equity attributable to the owner of the Remaining Group of approximately US\$39.44 million as at 31 December 2017 (approximately HK\$307.62 million as at 31 December 2017 as disclosed in the unaudited pro forma financial information of the Remaining Group set out in Appendix V to the Circular) and 275,437,000 Shares in issue as at 31 December 2017).

**(ii) Comparison of the Listco Share Offer Price with the adjusted historical price of the Shares**

We have compared the Listco Share Offer Price to the adjusted historical market prices of the Shares of the Review Period:



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The adjusted closing prices of the Shares are in general remained stable in the period before the date of the Joint Announcement. During the Post-announcement Period, the adjusted daily closing price of the Shares reached HK\$ 3.39 per Share recorded on 25 April 2017 and HK\$3.52 on 27 April 2018.

As illustrated above, the Listco Share Offer Price has a premium over the adjusted closing prices of the Shares during the period from 24 April 2017 to the Last Trading Day, which ranged from HK\$0.48 to HK\$1.84. During the Review Period, the adjusted closing prices of the Shares ranged from HK\$0.48 to HK\$3.52 and such adjusted closing prices were below the Listco Share Offer Price except for two trading days that the adjusted closing price of HK\$3.39 (recorded on 25 April 2018) and HK\$3.52 (recorded on 27 April 2018) were higher than the Listco Share Offer Price respectively. The average of the adjusted closing prices of the Shares during the Review Period was approximately HK\$1.42. The Listco Share Offer Price represents a premium of approximately 130.07% over such average adjusted closing price.

As the Listco Share Offer Price has a premium of approximately 130.07% over the average adjusted closing price of the Shares during the Review Period and premium over the unaudited pro forma consolidated net asset attributable to the owners of the Remaining Group per Share as at 31 December 2017, we consider that the premium in the Listco Share Offer Price would be attractive to the Independent Shareholders who are interested to realise all or part of their investments in the Company through the Listco Share Offer.

### **(iii) Comparison of the Listco Share Offer Price with PER and PBR**

In assessing the fairness and reasonableness of the Listco Share Offer Price, it is a general practice to make reference to other comparable companies. Given that the Remaining Group would be profit making as disclosed in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group set out in Appendix V, we adopted a comparable analysis with the PER and the PBR based on search of comparable companies listed in Hong Kong. We selected companies based on the following criteria: (i) principally engaged in the business of manufacturing and distribution of analytical instrument, life science equipment and laboratory instruments such as medical devices; (ii) recorded a net profit attributable to the owners of the respective companies in their latest annual reports for comparison; (iii) over 50% of the revenue of such companies was generated on the PRC as the Remaining Group is focused on PRC region; and (iv) currently listed on the Stock Exchange.

We found 4 Hong Kong listed companies (the “**Listco Market Comparables**”) which meet the said criteria and they are exhaustive as far as we are aware of. Shareholders should note that the businesses, operations and prospects of the Group are not exactly the same as those of the Listco Market Comparables.

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Set out below are the PERs and PBRs of the Listco Market Comparables based on their respective market capitalization as at the Latest Practicable Date and their respective latest published financial information:

Company Name	Principal Business	Closing Price (HKD) as at the Latest Practicable Date	Number of shares issued	Market Capitalization (HKD) as of the Latest Practicable Date (Note 1)	Net profit attributable to the owners of the Company disclosed in the respective latest published financial reports	Audited net asset value (HKD) attributable to the owners of the respective company disclosed in the respective latest published financial reports	PER as at the Latest Practicable Date (Note 2)	PBR as at the Latest Practicable Date (Note 3)
Shandong Weigao Group Medical Polymer Company Limited (1066)	research and development, production and sale of single-use medical devices	5.82	4,522,332,324	26,319,974,126	2,075,908,800	16,005,805,200	12.68	1.64
LifeTech Scientific Corporation (1302)	manufacturing and marketing of minimally invasive interventional medical devices	2.5	4,336,290,000	10,840,725,000	196,166,400	1,263,331,200	55.26	8.58
Beijing Chunlizhengda Medical Instruments Company Limited (1858)	research and development, production and sale of implantable orthopedic medical devices	18.6	69,170,400	1,286,569,440	81,940,784	646,166,614	15.70	1.99
Yestar Healthcare Holdings Company Limited (2393)	manufacture and sale of medical imaging products	2.68	2,175,200,000	5,829,536,000	299,961,600	807,336,000	19.43	7.22
						<b>Maximum</b>	55.26	8.58
						<b>Minimum</b>	12.68	1.64
						<b>Median</b>	17.57	4.61
						<b>Average</b>	25.77	4.86
The Remaining Group	Distribution of analytical instrument, life science equipment and laboratory instruments	3.267 (Note 4, 5)	275,437,000	899,852,679 (Note 4, 5)	1,029,600	307,616,400	2.93 (Note 5)	2.93 (Note 5)

**Notes:**

- Market capitalisation is based on the number of shares in issue and the closing share price as at the Latest Practicable Date.
- The PER of the Listco Market Comparables were calculated based upon their respective market capitalization as at the Latest Practicable Date and divided by the net profit attributable to the owners of the respective companies disclosed in the respective latest published annual reports.
- The PBR of the Listco Market Comparables were calculated based upon their respective market capitalization as at the Latest Practicable Date and divided by the net asset value attributable to the owners of the respective companies disclosed in the respective latest published annual reports.

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4. The implied PER of the Listco Share Offer Price was calculated based upon the Listco Share Offer Price multiplied by total number of issued Shares of 275,437,000 as at the Latest Practicable Date and then divided by the unaudited pro forma consolidated profit attributable to the owner of the Remaining Group of approximately US\$132,000 (approximately HK\$1,029,600) for the year ended 31 December 2017 as extracted from the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group set out in Appendix V.
5. The implied PBR of the Listco Share Offer Price was calculated based upon the Listco Share Offer Price multiplied by total number of issued Shares of 275,437,000 as at the Latest Practicable Date and then divided by the unaudited pro forma consolidated equity attributable to the owner of the Remaining Group of approximately US\$39,438,000 (approximately HK\$10,413,000) as at 31 December 2017 as extracted from the unaudited pro forma financial information of the Remaining Group set out in Appendix V.

As depicted in the above table, the PERs of the Listco Market Comparables ranged from approximately 12.68 times to approximately 55.26 times, with a median of approximately 17.57 times and an average of approximately 25.77 times. Accordingly, the implied PER of the Listco Share Offer Price of approximately 873.98 times is above the upper end of the range, the median and the average of the PERs of the Listco Market Comparables.

As depicted in the above table, the PBRs of the Listco Market Comparables ranged from approximately 1.64 times to approximately 8.58 times, with a median of approximately 4.61 times and an average of approximately 4.86 times. Accordingly, although the implied PBR of the Listco Share Offer Price of approximately 2.93 times is below the median and the average of the PBRs of the Listco Market Comparables, it is within the range of the PBRs of the Listco Market Comparables.

As set out in the table above, the implied PER of the Listco Share Offer Price is higher than the range of the historical PERs of the Listco Market Comparables and the implied PBR of the Listco Share Offer Price is within the range of the historical PBRs of the Listco Market Comparables, we consider the Listco Share Offer Price is fair and reasonable.

In view of above, we are of the view that the Listco Share Offer Price is fair and reasonable and in the interests of the Independent Shareholders as a whole.

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### 4.5 The Privateco Offer Price

#### (i) **Comparison of the Privateco Offer Price with the adjusted net asset value per Privateco Share:**

According to the properties valuation of the Company's property interest set out in "Appendix VII – Property Valuation" of the Circular and the unaudited pro forma consolidated statement of financial position of the Privateco Group set out in Appendix VI, as all the property interest belong to the Privateco Group, the table below sets out the adjusted unaudited pro forma consolidated net asset attributable to the owners of the Privateco Group (the "**Adjusted Privateco NAV**") as at 31 December 2017:

	<i>US\$'000</i>
Unaudited pro forma consolidated net asset attributable to the owners of the Privateco Group as at 31 December 2017	42,470
Less: Net book value of the properties as at 31 December 2017	(6,865)
Add: Appraised value of the properties as at 30 April 2018, as set forth in Appendix VII	<u>22,670</u>
Adjusted Privateco NAV as at 31 December 2017	<u><u>58,275</u></u>

The Privateco Offer Price of HK\$0.84 per Privateco Share represents a discount of approximately 48.78% to the Adjusted Privateco NAV of approximately HK\$1.64 per Share as at 31 December 2017.

As advised by the management of the Group and with reference to "Appendix V – Unaudited Pro Forma Financial Information of the Remaining Group" and "Appendix VI – Unaudited Pro Forma Financial Information of the Privateco Group", the majority of non-current assets of the Group belonged to the Privateco Group. As disclosed in the sub-section headed "A. Possible unconditional voluntary cash offer to acquire the Privateco Shares" under "Appendix I – Information on the Listco Offers and the Privateco Offer", the persistent discount of the "undisturbed" market price of the Shares before the MOU Announcement to the Group's net asset value, for example, the average closing price of the Shares from 1 January 2017 to 22 May 2017 (the last trading day before MOU Announcement) of approximately HK\$1.34 representing a discount of approximately 41.7% to the Group's net asset value of approximately HK\$2.30 per Share as at 31 December 2016. Given that the Shares were trading at a discount of approximately 41.7% before the entering into of the MOU, we consider that a discount of approximately 48.78% for the Privateco Offer Price to the Adjusted Privateco NAV per Share is justifiable.

#### (ii) **Comparison of the Privateco Offer Price with the PBR**

In assessing the fairness and reasonableness of the value of the Privateco Group implied by the Privateco Offer Price, we have made reference to other comparable companies. With reference to the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Privateco Group set out in Appendix VI, as the

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Privateco Group recorded a net loss attributable to the owners of the Privateco Group, PER is not applicable for comparison. We adopted the PBR based on search of comparable companies listed in Hong Kong. We selected companies based on the following criteria: (i) principally engaged in the business of manufacturing and distribution of analytical instrument, life science equipment and laboratory instruments such as medical devices; (ii) less than 50% of the revenue of such companies was generated on the PRC as the Privateco Group is focused on non-PRC region; and (iii) currently listed on the Stock Exchange.

We found 5 Hong Kong listed companies (the “**Privateco Market Comparables**”) which meet the said criteria and they are exhaustive as far as we are aware of. Shareholders should note that the businesses, operations and prospects of the Group are not exactly the same as those of the Privateco Market Comparables.

Set out below are the PBRs of the Privateco Market Comparables based on their respective market capitalization as at the Latest Practicable Date and their respective latest published financial information:

Company Name	Stock Code	Closing Price (HKD) as at the Latest Practicable Date	Number of shares issued	Market Capitalization (HKD) as of the Latest Practicable Date (Note 1)	Audited net asset value (HKD) attributable to the owners of the respective company disclosed in the respective latest published financial reports	PBR as at the Latest Practicable Date (Note 2)
MicroPort Scientific Corporation (853)	manufacture and sales of medical products	9.57	1,462,103,343	13,992,328,993	3,132,503,400	4.47
Vincent Medical Holdings Limited (1612)	research, development, manufacture and trade of medical devices	0.66	637,650,000	420,849,000	365,185,000	1.15
Sisram Medical Limited (1696)	design, development, manufacture and distribution of energy cosmetic medicine and minimally invasive medical cosmetic treatment systems	5.39	442,155,600	2,383,218,684	2,285,212,800	1.04
Modern Dental Group Limited (3600)	production and distribution of prosthetic devices	1.99	1,000,000,000	1,990,000,000	2,097,490,000	0.95
IAG Holdings Limited (8513)	manufacturing and sale of injection molded plastic parts for disposable medical devices	0.355	400,000,000	142,000,000	16,409,627	8.65
					<b>Maximum</b>	8.65
					<b>Minimum</b>	0.95
					<b>Median</b>	1.15
					<b>Average</b>	3.25
The Privateco Group	Manufacture and distribution of analytical instrument , life science equipment and laboratory instruments	0.84 (Note 3)	275,437,000	231,367,080 (Note 3)	454,545,000	0.70 (Note 3)

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*Notes:*

1. Market capitalisation is based on the number of shares in issue and the closing share price as at the Latest Practicable Date.
2. The PBR of the Privateco Market Comparables were calculated based upon their respective market capitalization as at the Latest Practicable Date and divided by the net asset value attributable to the owners of the respective companies disclosed in the respective latest published annual reports.
3. The implied PBR of the Privateco Offer Price was calculated based upon the Privateco Offer Price multiplied by total number of issued Shares of 275,437,000 as at the Latest Practicable Date and then divided by the Adjusted Privateco NAV of approximately US\$58,275,000 (approximately HK\$454,545,000) as at 31 December 2017.
4. For information purposes only, the unaudited pro forma consolidated equity attributable to the owner of the Privateco Group was approximately US\$42,470,000 (approximately HK\$331,266,000) as at 31 December 2017 as extracted from the unaudited pro forma financial information of the Privateco Group set out in Appendix VI.

As depicted in the above table, the PBRs of the Privateco Market Comparables ranged from approximately 0.95 times to approximately 8.65 times, with a median of approximately 1.15 times and an average of approximately 3.25 times. Accordingly, the implied PBR of the Privateco Offer Price of approximately 0.70 times is below the lower end, the median and the average of the PBRs of the Privateco Market Comparables.

### **(iii) Trading Liquidity of the Shares**

Given that no application will be made for the listing of, and permission to deal in, the Privateco Shares on the Hong Kong Stock Exchange, the SGX-ST or any other stock exchange, holders of the Privateco Shares may therefore find it difficult to liquidate their holdings in the Privateco Shares as they are unlisted and illiquid.

### **Our view on the terms of the Privateco Offer**

Despite the fact that the Privateco Offer Price is at a discount to the Adjusted Privateco NAV and the implied PBR of the Privateco Offer Price is below the range of the PBRs for Privateco Market Comparables, after taking into account that (i) the persistent discount of the “undisturbed” market price to the Group’s net asset value before the entering into of the MOU, (ii) Privateco Shares are unlisted and illiquid as there is no open market for it and; (iii) the unsatisfactory performance of the Privateco Group as it had been loss making for the past three years. We have enquired with and as advised by the Management, the decrease in net loss for the year ended 31 December 2017 as compared to that of for the year ended 31 December 2016 was primarily due to the significant expenses relating to relocation of manufacturing facilities for the production of gas chromatography from the United States to Europe and China in 2016, which was considered to be one off event. We also noted that the net loss position in 2015 and 2017 was relatively similar. As such, based on the historical performance of the past three years, there is no evidence that the Privateco Group will turnaround its net loss position and we believe that the future performance of the Privateco Group remain uncertain.

Therefore, we consider that, on balance, the terms of the Privateco Offer to be reasonable.



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### 5. The CB Subscription Agreement

On 18 April 2018, the Company, the Offeror and the Guarantor entered into the CB Subscription Agreement (as supplemented and amended by the Supplemental CB Subscription Agreement entered into on 22 June 2018) pursuant to which the Company has agreed to issue, and the Offeror has agreed to subscribe, in cash, for the Convertible Bonds.

#### 5.1 Principal terms of the Convertible Bonds

As disclosed in the joint announcement published by the Company and the Offeror on 22 June 2018, as a result of the Executive's comments on certain terms of the CB Subscription Agreement, the principal amendments contemplated under the Supplemental CB Subscription Agreement are as follows:

##### ***Conversion Price***

In the CB Subscription Agreement, the initial Conversion Price was equal to US\$0.3350 (equivalent to HK\$2.613) per Conversion Share, subject to relevant adjustment provisions, representing a discount of 20% to the Listco Share Offer Price.

In the Supplemental CB Subscription Agreement, the initial Conversion Price will be equal to US\$0.41885 (equivalent to HK\$3.267) per Conversion Share, subject to relevant adjustment provisions, which is the same as the Listco Share Offer Price.

The principal amount in the Supplemental CB Subscription Agreement will be determined with reference to the Listco Share Offer Price with no discount. As a result, depending on the level of valid acceptances under the Listco Share Offer, the principal amount would be in the range of zero (i.e. where the Offeror acquires all the Offer Shares) up to a maximum amount of US\$32,482,307 (i.e. where no Independent Shareholder accepts the Listco Share Offer or lapse of the Listco Share Offer), instead of US\$25,985,846, which was based on a discount of 20% to the Listco Share Offer Price.

##### ***Maturity date***

The Convertible Bonds in the CB Subscription Agreement were to mature five years from the date of issue of the Convertible Bonds.

The Convertible Bonds in the Supplemental CB Subscription Agreement will mature on the first anniversary from the date of issue of the Convertible Bonds.

##### ***Transferability***

In the CB Subscription Agreement, the Convertible Bonds were freely transferable and assignable.

In the Supplemental CB Subscription Agreement, the Convertible Bonds are not transferable nor assignable.

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Save for the amendments as disclosed above, all provisions of the CB Subscription Agreement shall remain in full force and effect. There are no other changes to the terms of the CB Subscription Agreement.

Set out below are the principal terms of the Convertible Bonds.

Principal amount: To be determined based on the following formula:

$$\text{Principal amount} = (T - B) / (1 - 70\%)$$

T means US\$80,756,350, equivalent to the balance of the initial principal amount of the Convertible Bonds (i.e. the multiple of (i) 70% of the number of outstanding Shares and (ii) the US\$ equivalent of the Listco Share Offer Price, which equals 275,437,000 shares x 70% x HK\$3.267 / 7.8 = US\$80,756,010. Such amount is slightly adjusted to US\$80,756,350 to account for any rounding differences.)

B means the total consideration payable by the Offeror to 1) the Vendors under the SPA I and Mr. Guo under the SPA II; and (2) the Independent Shareholders who have validly accepted the Listco Share Offer at the close of the Listco Share Offer, being the number of Shares represented by such acceptances multiplied by the Listco Share Offer Price (For avoidance of doubt, such amount does not include the consideration payable for valid acceptances of the Listco Option Offer). Such amount shall be converted from HK\$ to US\$ at US\$1 to HK\$7.8. As at the date of this joint announcement, such amount is yet to be confirmed and may be higher than T. In case B is higher than T (which means the Offeror has obtained more than 70% shareholding of the Company upon the Sales and Purchases Completion and close of the Listco Share Offer, but before the subscription of the Convertible Bonds) and rendered the principal amount to be below zero, the parties will not proceed with the subscription of the Convertible Bonds in accordance with the terms of the CB Subscription Agreement.

Depending on the level of valid acceptances under the Listco Share Offer, the principal amount would be in the range of below zero (in case of the Offeror acquiring all the Offer Shares) to US\$32,482,307 (in case of no Independent Shareholder accepting the Listco Share Offer or lapse of the Listco Share Offer).

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The difference of T and B is divided by (1-70%), the returning principal amount of the Convertible Bonds will allow the Offeror to obtain 70% shareholding of the Company upon conversion of such Convertible Bonds, if any, at the Conversion Price.

Maturity date: The first anniversary of the date of issue of the Convertible Bonds.

Interest: The Convertible Bonds will bear interest on the outstanding principal amount thereof from the date of issue at a rate equal to 3.5% per annum, which will be payable at the end of each month commencing on the date of the issue of the Convertible Bond (the "**Interest Payment Date**"). All outstanding interest accrued shall be paid in full on the Maturity Date. Interest on the Convertible Bond shall accrue from day to day and shall be calculated at simple interest on the basis of the actual number of days elapsed and a year of 365 days (including the first and the last days of the period during which it accrues). Interest on the Convertible Bond not held for the whole of the period between any two successive Interest Payment Dates shall be calculated on a pro rata basis. All interest amounts shall be rounded to the nearest cent, half a cent being rounded down.

If the Company does not pay any sum payable under the Convertible Bond when due, it shall pay interest on such sum outstanding in respect of that overdue sum at the rate of 3 per cent. per annum for the period beginning on its due date and ending on the date of actual payment. Such interest shall accrue from day to day on the basis of the actual number of days elapsed and a year of 365 days (including the first and the last days of the period during which it accrues) and shall be payable on demand.

If the bondholder has converted part or the whole of the principal amount of the Convertible Bond, the bondholder shall be entitled to interest in respect of such part or whole, as the case may be, of the principal amount of the Convertible Bond for the period from the immediately preceding Interest Payment Date or the date of issue of the Convertible Bond (whichever is the later) to and up to (but excluding) the Conversion Date concerned.

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Conversion rights:

The bondholder will have the right, on any Business Day during the period commencing from the date of issue of the Convertible Bonds to the Maturity Date to convert the whole or part of the principal amount of the Convertible Bonds (in amounts of not less than US\$1,000,000 at any one time, unless the outstanding principal amount of the Convertible Bonds to be converted is less than US\$1,000,000 in which case the whole (but not part only) of that amount may be converted) into the Conversion Shares at the Conversion Price (as defined below) (subject to adjustments).

No exercise of the conversion rights attaching to the Convertible Bonds shall be allowed if (i) immediately following the conversion, the Company will be unable to meet the public float requirement under Rule 8.08 of the Listing Rules; or (ii) a mandatory general offer obligation under the Takeovers Code will be triggered as a result of such conversion.

The Conversion Shares shall rank pari passu with all other existing Shares in issue as at the date of conversion and be entitled to all dividends, bonuses and other distributions the record date of which falls on a date on or after the date of conversion.

Conversion Price:

The revised initial Conversion Price will be equal to US\$0.41885 (equivalent to HK\$3.267) per Conversion Share (the “**Conversion Price**”), subject to adjustment provisions as summarised below.

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Anti-dilution adjustments:

The Conversion Price will from time to time be adjusted upon the occurrence of certain events, including the following:

- (i) consolidation, sub-division or re-classification of the Shares;
- (ii) capitalisation of profits or reserves;
- (iii) capital distribution to Shareholders;
- (iv) offer to Shareholders new Shares for subscription by way of rights, or grant to Shareholders any options, warrants or other rights to subscribe for any new Shares at a price which is less than 95% of the market price as at the date of the announcement of the terms of the offer or grant;
- (v) issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total effective consideration per Share initially receivable for such securities is less than 95% of the market price as at the date of the announcement of the terms of issue of such securities;
- (vi) when the rights of conversion or exchange or subscription attached to any such securities as are mentioned in (v) above are modified so that the total effective consideration per Share initially receivable for such securities will be less than 95% of the market price as at the date of the announcement of such proposal;
- (vii) when the Company issues wholly for cash any Shares at a price per Share which is less than 95% of the market price as at the date of the announcement of the terms of such issue; and
- (viii) when the Company issues Shares for the acquisition of assets at a total effective consideration per Share which is less than 95% of the market price at the date of the announcement of the terms of such issue.

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- Voting: The bondholder will not be entitled to attend or vote at any meetings of the Company by reason only of it being the bondholder.
- Transferability: The Convertible Bonds shall not be transferrable.
- Events of default: If any of the following events occurs, the Convertible Bonds shall on the giving of notice by the bondholder to the Company become due and payable at its principal amount then outstanding, together with any accrued outstanding interest calculated up to and including the date of repayment:
- (i) the Company defaults in its material obligations in the CB Subscription Agreement which default is incapable of remedy or, if capable of remedy, is not remedied within 20 Business Days after notice of such default from the bondholder to the Company;
  - (ii) an encumbrancer takes possession or a receiver, manager or other similar officer is appointed in respect of the whole or any substantial part of the undertaking, property, assets or revenues of the Company or any of its principal operating subsidiaries;
  - (iii) the Company or any of its principal operating subsidiaries becomes insolvent or is unable to pay its debts as they fall due or applies for or consents to or suffers the appointment of any administrator, liquidator or receiver of the Company or any of its principal operating subsidiaries or the whole or any substantial part of the undertaking, property, assets or revenues of the Company or any of its principal operating subsidiaries or takes any proceeding under any law for a readjustment or deferment of its obligations or any part of them;
  - (iv) an order is made or an effective resolution passed for the winding up, insolvency, administration or dissolution of the Company or any of its principal operating subsidiaries except in the case of an internal reorganisation;

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- (v) insolvency of the Company;
- (vi) a moratorium is agreed or declared in respect of any indebtedness of the Company or any of its principal operating subsidiaries or any government authority or agency condemns, seizes, compulsorily purchases or expropriates all or a substantial part of the assets of the Company or any of its principal operating subsidiaries;
- (vii) listing of the Shares on the Hong Kong Stock Exchange ceases or the trading of the Shares on the Hong Kong Stock Exchange is suspended for a continuous period of 10 Business Days or more due to any breach of the Listing Rules or applicable laws by any member of the Group or any of its directors, officers, employees or agents;
- (viii) the Company or any of its principal operating subsidiaries consolidates or amalgamates with or merges into any other corporation, or the Group sells or transfers all or substantially all of its assets;
- (ix) the Company fails to pay the principal amount or any interest on the Convertible Bonds when due unless non-payment of such interest is due solely to administrative or technical error and payment is made within 10 Business Days of the due date;
- (x) any amounts of principal repayment or interest payment in relation to bank borrowings of the Company or any subsidiaries are not paid when due, or within the grace period and the bank notifies the Company or the subsidiary that such non-payment constitutes an event of default under the terms of the loan; or
- (xi) the Company or any subsidiaries fails to pay when due or expressed to be due any amounts payable or expressed to be payable by it under any present or future guarantee for any moneys borrowed from or raised through a financial institution and it notifies the Company or the subsidiary that such failure to pay constitutes an event of default under the terms of the guarantee or the loan which the guarantee was given.

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Redemption: The Company shall be required to redeem upon the Maturity Date at 100% of all or any part of the principal amount of the Convertible Bonds in respect of which the conversion rights have not been exercised.

### **Conversion Price**

The revised initial Conversion Price, being US\$0.41885 or approximately HK\$3.267, represents:

- (i) the same amount as the purchase price per Sale Share under the Share Purchase Agreements;
- (ii) a premium of approximately 32.80% over the closing price of HK\$2.46 per Shares as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 41.43%, 60.15% and 69.27% over the average closing prices of the Shares as quoted on the Hong Kong Stock Exchange for the trading days over a three-month period from 1 January 2018 to 31 March 2018 of HK\$2.31 per Share, a six-month period from 1 September 2017 to 31 March 2018 of HK\$2.04 per Share; and a year from 1 April 2017 to 31 March 2018 of HK\$1.93 per Share, respectively;
- (iv) a discount of approximately 12.65% of the closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a premium of approximately 38.43% to the audited consolidated net assets attributable to owners of the Company per Share of approximately HK\$2.36 as at 31 December 2017, calculated based on the Group's audited consolidated equity attributable to the owners of the Company of approximately US\$83,350,000 (approximately HK\$650,130,000) as at 31 December 2017 and 275,437,000 Shares in issue as at the Latest Practicable Date.

In arriving at the revised initial Conversion Price, the Offeror and the Company have considered, among other things, (i) the abovementioned premium of the initial Conversion Price as compared to historical market prices of the Shares, (ii) upon issuance of the Convertible Bonds (if any), the interests to be payable by the Company in respect of the Convertible Bonds, and (iii) the shareholding of approximately 70% in the Company to be held by the Offeror upon the Sale and Purchase Completion and/or conversion of the Conversion Bonds (if any). Further details on the basis on which the revised initial Conversion Price was determined is disclosed in the section headed "D. Possible Connected Transaction in relation to the issue of Convertible Bonds under the Specific Mandate by the Company to the Offeror" in the letter from the Board of the Circular.



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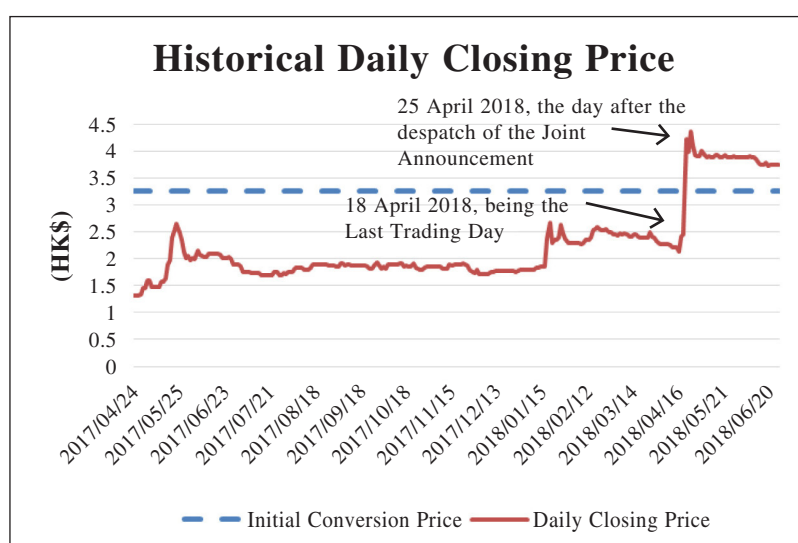
## LETTER FROM AMASSE CAPITAL

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In order to assess the fairness and reasonableness of the Conversion Price, we have taken into account (i) a review on the daily closing prices during the Review Period and compared with the Conversion Price; (ii) average trading volume of the Shares during the Review Period; and (iii) a comparison with other issue and subscription of convertible bonds/notes exercises.

*(i) Historical price performance of the Shares*

We have compared the Conversion Price to historical market prices of the Shares during the Review Period. The following chart depicts the daily closing prices of the Shares of the Review Period:



As illustrated above, during the Review Period, the closing prices of the Shares were traded in the range of HK\$1.32 to HK\$4.36 with average closing price of approximately HK\$2.26. The Conversion Price of HK\$3.267 represents a premium of approximately 147.50% over the lowest closing price, a discount of approximately 25.07% to the highest closing price and a premium of approximately 44.56% over the average closing price during the Review Period.

The Conversion Price is above the closing prices of the Shares for 243 trading days out of 285 trading days (representing approximately 85.26% of the total number of trading days) during the Review Period.

*(ii) Historical trading liquidity of the Shares*

As illustrated in the subsection headed “4.3 Historical trading liquidity of the Shares” above, the Average Volume ranged from 0.004% to 1.065% for the total number of issued Shares as at the end of each respective month (or at the Latest Practicable Date for 26 June 2018). For the whole review period, the Average Volume was around 0.107% of total number of issued Shares and we therefore consider the trading liquidity of the Shares is relatively low.

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## LETTER FROM AMASSE CAPITAL

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(iii) *Comparison with other issue and subscription of convertible bonds/notes exercises*

In assessing the fairness and reasonableness of the Conversion Price, we have reviewed the subscription/placing of convertible bonds/notes exercises announced by companies listed on the Stock Exchange from 24 January 2018 and up to the date of the Joint Announcement (being around three months period prior to the date of the Joint Announcement) (the “**CB Comparables**”) which indicate the conversion price of such convertible securities in their respective announcement. We have found 20 transactions which met the said criteria. We consider that the aforesaid review period is appropriate to capture the recent market practice because the CB Comparables are considered for the purpose of taking a general reference for the recent market practice in relation to subscription/placing of convertible bonds/notes under the recent market condition and sentiment. We consider that the CB Comparables are fair and representative samples for comparison purpose, which represent an exhaustive list based on the said criteria. Shareholders should note that the businesses, operations and prospects of the Company are not the same as those of the CB Comparables. Despite that the CB Subscription is a part under a series of transactions, and the businesses, operations and prospects of the Company are not the same as those of the CB Comparables, the nature of subscription of the Convertible Bonds is in substance a fundraising activity and the CB Comparables had covered those in similar fundraising activities that can provide a general reference for analysis purpose.

Date of Announcement	Company Name (Stock Code)	Annual Interest Rate	Term to Maturity (years)	Premium/ (Discount) of the conversion price over/(to) closing price per share on the last trading day prior to/on the date of the announcement	Premium/ (Discount) of the conversion price over/(to) average closing price per share for the last five trading days prior to/on the date of the announcement
18/1/2018	Youyuan International Holdings Limited (2268)	4.50%	1	33.61%	39.19%
22/1/2018	Tianyun International Holdings Limited (6836)	6%	1	26.40%	25.60%
23/1/2018	China Shandong Hi-Speed Financial Group Limited (412)	6%	1.5	1.45%	4.79%
		6%	1.5	21.74%	25.75%
23/1/2018	China Finance Investment Holdings Limited (875)	5%	1	17.65%	17.65%
23/1/2018	MIE Holdings Corporation (1555)	5.00%	3	-3.33%	-1.36%
25/1/2018	China Success Finance Group Holdings Limited (3623)	6%	2	49.66%	51.72%

## LETTER FROM AMASSE CAPITAL

Date of Announcement	Company Name (Stock Code)	Annual Interest Rate	Term to Maturity (years)	Premium/ (Discount) of the conversion price over/(to) closing price per share on the last trading day prior to/on the date of the announcement	Premium/ (Discount) of the conversion price over/(to) average closing price per share for the last five trading days prior to/on the date of the announcement
25/1/2018	Hospital Corporation of China Limited (3869)	0	3	19.36%	27.52%
25/1/2018	KVB Kunlun Financial Group Ltd (6877)	7.50%	2	5.70%	5.00%
26/1/2018	CIFI Holdings (Group) Company Limited (884)	0%	1	30.07%	33.81%
26/1/2018	Green International Holdings Limited (2700)	3%	2	4.29%	5.46%
		6%	2	4.29%	5.46%
30/1/2018	Powerlong Real Estate Holdings Limited (12380)	0%	1	23.50%	26.95%
31/1/2018	China Evergrande Group (3333)	4.25%	5	40.00%	36.19%
9/2/2018	New City Development Group Limited (456)	7%	2	-19.81%	-18.80%
13/2/2018	Guoan International Limited (143)	3.80%	3	-3.70%	0%
13/2/2018	Risecomm Group Holdings Limited (1679)	6%	2	-8.01%	-5.61%
1/3/2018	Amax International Holdings Limited (959)	0%	1	-7.69%	-9.64%
5/3/2018	Beijing Gas Blue Sky Holdings Limited (6828)	2%	2	-3.39%	-3.72%
20/3/2018	Burwill Holdings Limited (24)	7%	1.5	-9.86%	-4.48%
29/3/2018	SML Holdings Group Limited (198)	7.50%	2	15.00%	15.00%
17/4/2018	TUS International Limited (872)	0%	5	-11.97%	-9.90%
	<b>Maximum</b>	7.50%	5	49.66%	51.72%
	<b>Minimum</b>	0.00%	1	-19.81%	-18.80%
	<b>Average</b>	4.21%	2.07	10.23%	12.12%
	<b>The Convertible Bonds</b>	3.50%	1	32.80%	42.66%

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## LETTER FROM AMASSE CAPITAL

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### **(a) Conversion Price**

The conversion prices of the CB Comparables (i) ranged from a discount of approximately 19.81% to a premium of approximately 49.66% (the “**LTD Range**”), with an average premium of approximately 10.23% (the “**LTD Average**”) for their respective closing price per share on the last trading day prior to/on the dates of the relevant announcements of the CB Comparables; and (ii) ranged from a discount of approximately 18.80% to a premium of approximately 51.72% (the “**5-Days Range**”), with an average premium of approximately 12.12% (the “**5-Days Average**”) for their respective average closing prices per share for the last five trading days prior to/on the dates of relevant announcements of the CB Comparables.

The Conversion Price of US\$0.41885 or approximately HK\$3.267 per Share represents (i) a premium of approximately 32.80% over the closing price per Share on the Last Trading Date, which falls within the LTD Range and is above the LTD Average; (ii) a premium of approximately 42.66% over the average closing price per Share for last five trading days up to and including the Last Trading Date, which falls within the 5-Days Range and is above the 5-Days Average; (iii) a premium of approximately 16.3% over the Adjusted NAV per Share of approximately HK\$2.81 as at 31 December 2017; (iv) a discount of approximately 12.65% to the closing price per Share as at the Latest Practicable Date. Taking into account that the aforesaid premiums as represented by the Conversion Price to the respective closing prices per Share are within the market ranges represented by the CB Comparables, we consider that the Conversion Price is fair and reasonable and is in line with recent market practice.

### **(b) Interest Rate**

The interest rates of the CB Comparables ranged from nil to 7.5% with an average interest rate of approximately 4.21%. The interest rate of 3.5% of the Convertible Bonds of the company fall within the market range of CB Comparables, we consider the interest rate of the Convertible Bonds is fair and reasonable.

### **(c) Term to maturity**

The terms to maturity of the CB Comparables ranged from 1 to 5 years with an average years of 2.07. The duration of the Convertible Bonds of 1 year is in line with the aforesaid CB Comparables, we consider the maturity of the Convertible Bonds to be fair and reasonable.

## **5.2 Fund raising activities in the past twelve months**

During the past twelve months immediately preceding the Latest Practicable Date, the Company has not conducted any fund-raising activity.

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### 5.3 Potential dilution effect on the interests of other public Shareholders

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon the Sale and Purchase Completion (assuming no other changes to the issued share capital of the Company since the Latest Practicable Date) (“**Scenario 1**”); (iii) immediately upon the close of the Listco Share Offer (assuming (a) no other changes to the issued share capital of the Company since the Latest Practicable Date; (b) no Independent Shareholder accepting the Listco Share Offer and (c) the conversion of the whole of the principal amount of the Convertible Bonds by the Offeror) (“**Scenario 2**”); (iv) immediately upon the close of the Listco Offers (assuming (a) all the options have been exercised; (b) no Independent Shareholder accepting the Listco Offers, and (c) conversion of the whole of the principal amount of the Convertible Bonds by the Offeror) (“**Scenario 3**”)

	(i) As at the Latest Practicable Date		(ii) Scenario 1		(iii) Scenario 2		(iv) Scenario 3	
	Number of Shares held	% of Shares in issue (approximate)	Number of Shares held	% of Shares in issue (approximate)	Number of Shares held	% of Shares in issue (approximate)	Number of Shares held	% of Shares in issue (approximate)
Mr. Lo and parties acting in concert with him	112,456,500	40.8	-	-	-	-	-	-
Mr. Chan	9,720,000	3.5	-	-	-	-	-	-
Mr. Ho Yew Yuen	300,000	0.1	300,000	0.1	300,000	0.1	300,000	0.1
KCH Investment (a company wholly-owned by Mr. Guo)	47,364,648	17.2	-	-	-	-	-	-
The Offeror and parties acting in concert with it	-	-	169,541,148	61.5	247,092,317	70.0	247,092,317	67.1
Other Shareholders	105,595,852	38.4	105,595,852	38.4	105,595,852	29.9	121,068,852	32.8
Total	275,437,000	100.0	275,437,000	100.0	352,988,169	100.0	368,461,169	100.0

With reference to the principal terms of the Convertible Bonds, depending on the level of valid acceptances under the Listco Share Offer, the principal amount would be in the range of zero (in case of the Offeror acquiring all the Offer Shares) to US\$32,482,307 (in case of no Independent Shareholder accepting the Listco Share Offer or lapse of the Listco Share Offer). In case the principal amount is in the maximum of US\$32,482,307 and based on the initial Conversion Price of US\$0.41885, 77,551,169 Conversion Shares may fall to be allotted and issued upon exercise of the conversion rights in full, which represents (i) approximately 28.2% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 22.0% of the issued share

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capital of the Company as enlarged by the allotment and issue of the Conversion Shares under the Scenario 2. As shown under the Scenario 2, the shareholding of the existing public Shareholders will decrease from approximately 38.4% to approximately 29.9% upon the full conversion of the Convertible Bonds, representing a dilution by approximately 8.5%. Having considered that (i) the terms of the Convertible Bonds are considered fair and reasonable as discussed above; (ii) the issuance of the Convertible Bond will not lead to immediately dilution of the shareholding of the existing Shareholders; and (iii) the issue of the Convertible Bonds will provide the Company with an opportunity to raise additional funds to further strengthen the financial position of the Remaining Group to facilitate any possible future development of the Remaining Business, we consider that such a dilution is justifiable.

In view of the above, we are of the view that the principal terms of the Convertible Bonds including the Conversion Price, the interest and maturity of the Convertible Bond are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### 6. Supply Framework Agreement

#### 6.1 Principal terms of the Supply Framework Agreement

Set out below are the key terms of the Supply Framework Agreement:

**Date:** 18 April 2018

**Parties:** (i) Privateco  
(ii) the Company

#### ***Subject Matter***

The Privateco Group will supply certain analytical instruments, life science equipment and laboratory instruments under the Privateco Group's own brands to the Remaining Group on normal commercial terms and on an arm's length basis, or on terms no less favourable than those available to the Privateco Group or the Remaining Group to or from their respective independent third parties, subject to the terms of the Supply Framework Agreement.

As advised by the Management, the instruments to be supplied under the Supply Framework Agreement will be the Privateco's own-brand products with its own technical specifications, as such it is not that straightforward for the Remaining Group to identify alternative suppliers given that those instruments are self-manufactured as well as self-brand products of the Privateco Group.

#### ***Individual Agreements***

The Privateco Group and the Remaining Group will enter into individual agreement with respect to each sale and purchase transaction of the relevant products from time to time. The terms of these individual agreements shall only contain provisions which are consistent with the terms of the Supply Framework Agreement.

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## LETTER FROM AMASSE CAPITAL

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### ***Term***

The initial term of the Supply Framework Agreement shall commence from the second Business Day after the satisfaction of the conditions set out in the letter from the Board and expire on the second anniversary of the last day of the calendar month in which the Sale and Purchase Completion took place (both days inclusive).

### ***Conditions precedent***

The Supply Framework Agreement shall come into effect conditional upon:

- (a) the resolutions regarding the Supply Framework Agreement (including the annual caps thereto) and the transaction contemplated thereunder being approved by the Independent Shareholders;
- (b) completion of the Group Reorganisation and the Distribution In Specie;
- (c) the Sale and Purchase Completion having taken place; and
- (d) obtaining the consent of the Executive under Rule 25 of the Takeovers Code.

### ***Pricing basis***

The pricing of each of the transactions shall be determined by the parties to the Supply Framework Agreement at the time of entry into the relevant subsequent individual agreement for such transaction in accordance with the terms of the Supply Framework Agreement, with reference to any relevant rules and regulations being effective at the time.

Prices of the products to be supplied by the Privateco Group to the Remaining Group shall be determined on an arm's length basis and according to the prevailing market price for the same or substantially similar products with comparable quantities and quality supplied within the PRC which shall not be less favourable than those applicable to the purchase of the same or substantially similar type of products with comparable quantities and quality from independent third parties by the Remaining Group.

In determining whether the products supplied by the Privateco Group are at the prevailing market price, the Remaining Group will make reference to the prices from two or more independent third party suppliers which are available to supply at the relevant time the same or substantially similar type of products with comparable quantities and quality. As advised by the management of the Group, the Remaining Group's marketing team who has extensive experience in the industry and knowledge of the products would select eligible suppliers which have past business relationship with the Remaining Group or source from the market to ensure the fairness of comparison. Given that different products have their own technical specifications, the product specialists of the Group will assess the product specifications from different suppliers in the market to identify the most similar type of products which exhibit comparable technical specifications by referencing to certain product certifications and technical parameters. The Group's procurement team will negotiate and collect the pricing of the eligible products suggested by the product

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## LETTER FROM AMASSE CAPITAL

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specialists with respective suppliers including the Privateco Group and consider their respective competitiveness. Moreover, the Remaining Group will be able to negotiate with Privateco Group for any further pricing adjustment when the pre-agreed price between the Remaining Group and Privateco Group is not considered competitive on a case-by-case basis. If the above is not applicable, by reference to the average price of the same or substantially similar products previously purchased by the Remaining Group, and on normal commercial terms which are no less favourable to the Remaining Group than are available from an independent purchaser.

As advised by the management of the Group, having considered that the Remaining Group will first make reference to the prices from independent third party suppliers which are available to supply at the relevant time the same or substantially similar type of products with comparable quantities and quality; and that, if the above is not applicable, the Remaining Group will make reference to the average price of the same or substantially similar products previously purchased by the Remaining Group, and on normal commercial terms which are no less favourable to the Remaining Group than are available from an independent purchaser, we consider the pricing basis is fair and reasonable.

### **Annual caps**

The maximum aggregate values of the transactions under the Supply Framework Agreement for each of the financial years ending 31 December 2018, 2019 and 2020 shall not exceed HK\$180,000,000.

In arriving at the annual caps above, the Directors have considered the following factors: (a) historical, current and projected market rates for products comparable to the relevant products; (b) development of the Remaining Group's business with independent suppliers. In particular, the Directors expect that the above two factors will remain stable in coming years, and accordingly has determined the proposed annual caps for the three years ended 31 December 2020 roughly based on the average of the unaudited historical transaction amounts of the Group from the Privateco Group for the three years ended 31 December 2017.

Details of the historical transaction amounts are set out in the table below:

<b>Financial year ended 31 December 2015</b>	<b>Financial year ended 31 December 2016</b>	<b>Financial year ended 31 December 2017</b>
<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
(unaudited)	(unaudited)	(unaudited)
19,116	23,041	27,765



### **6.2 Basis of the proposed annual caps**

As advised by the management, the proposed annual caps for the three year ended 31 December 2020 is calculated based on the average of the unaudited historical transaction amounts of the Group from the Privateco Group for the three year ended 31 December 2017. The average of the unaudited historical transaction amounts for the three year ended 31 December 2017 is approximately US\$23.31 million (approximately HK\$181.80 million). The proposed annual caps of HK\$180 million is equivalent to the average of the unaudited historical transaction amounts for the three year ended 31 December 2017.

As further advised by the management of the Group, after considering (i) the management of the Group expects the sales of the Remaining Group to have seasonal pattern where the second half would have a larger portion of the product demand by the Remaining Group; and (ii) the proposed annual caps for financial year ended 31 December 2018 will only cover less than half of the financial year as assuming the completion of the Distribution In Species will be done in second half of the year and the proposed annual caps for financial year ended 31 December 2018 will be representing approximately 83.11% of the unaudited historical transaction amount for the financial year ended 31 December 2017, we are of the view that the proposed annual caps for financial year ended 31 December 2018 to be justifiable.

In view of the above, we consider that the proposed annual caps for the three years ending 31 December 2020 is fair and reasonable.

### **6.3 Internal Control**

As disclosed in the letter from the Board of the Circular, in addition to referencing prices from independent third party suppliers as described in the sub-section headed "Pricing basis" under the section headed "E. Special Deals and Continuing Connected Transactions", the procurement and finance department of the Group will monitor the actual utilization of the relevant annual caps under the Supply Framework Agreement to ensure such annual caps will not be exceeded. The marketing department of the Group will review the pricing of the Privateco Group products by making reference to the price from independent third party suppliers which are available to supply at the relevant time the same or substantially similar type of products with comparable quantities and quality; if the above is not applicable, the Remaining Group will make reference to the average price of the same or substantially similar products previously purchased by the Remaining Group. Independent non-executive Directors will review the transactions under the Supply Framework Agreement on an annual basis, ensuring such transactions are in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the Supply Framework Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole. The Directors are of the view that the above internal control procedures can ensure that the transactions contemplated under the Supply Framework Agreement to be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

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## LETTER FROM AMASSE CAPITAL

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### 7. Service Agreements

#### 7.1 Principal terms of the Service Agreements

Particulars of the terms for each of the Service Agreements are set out below.

**Date:** 18 April 2018

**Parties:** (i) Techcomp Scientific (one of the Remaining Subsidiaries)

(ii) Mr. Lo (pursuant to Mr. Lo's Service Agreement), or Mr. Chan (pursuant to Mr. Chan's Service Agreement)

#### ***Scope of services***

Pursuant to Mr. Lo's Service Agreement, Mr. Lo will be appointed as a consultant and be responsible for the overall management and operations of the Remaining Subsidiaries, including but not limited to the selection and appointment of senior management to assist the management and operation of the Remaining Subsidiaries after obtaining approval from the board of directors of Techcomp Scientific and (if required) the Board (such approvals shall not be unreasonably withheld or delayed), and charting and reviewing of the corporate directions and strategies and such other responsibilities in relation to the Remaining Subsidiaries as agreed between the board of directors of Techcomp Scientific and Mr. Lo.

Pursuant to Mr. Chan's Service Agreement, Mr. Chan will be appointed as consultant and be responsible for formulating and monitoring the Remaining Subsidiaries' overall strategic plan, the Remaining Subsidiaries' sales and overall operations in the PRC and Macau.

#### ***Term***

Each of the Service Agreements will be effective upon the fulfilment of the conditions mentioned in the letter from the Board, and end on the second anniversary of the last day of the calendar month in which the Sale and Purchase Completion took place (both days inclusive).

#### ***Remuneration***

Each of Mr. Lo and Mr. Chan shall be entitled to an annual salary of HK\$2,400,000 (approximately US\$307,692) and HK\$960,000 (approximately US\$123,077) respectively, payable monthly, and an annual discretionary bonus to be determined by the board of directors of Techcomp Scientific from time to time. The remuneration under each of the Service Agreements was determined with reference to the duties and responsibilities of each of Mr. Lo and Mr. Chan as set out in each of the Service Agreements, individual performance incentives, and comparable salaries in the market. In particular, the remuneration under Mr. Chan's Service Agreement has been determined with reference to

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## LETTER FROM AMASSE CAPITAL

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the existing package of Mr. Chan, while the remuneration under Mr. Lo's Service Agreement has been determined with reference to the other existing senior management of the Company, given that Mr. Lo will resign from his positions as president of the Company and executive Director.

### 7.2 Basis of the remuneration under each of the Service Agreements

As advised by the Management, we were given to understand that (i) under the current role as a Director, Mr. Lo's major job duties include the overall management and operations of the Remaining Subsidiaries, including but not limited to decision making on corporate directions and strategies and making plans for future development and organizational structure. Under the Mr. Lo's Service Agreement, Mr. Lo will undertake substantially the same job duties as mentioned above, but additionally, Mr. Lo will provide new scope of services, particularly assisting in handover of the business of the Remaining Group to the Offeror such as the development of customer and supplier relationship with the new Group management and reporting to the then new board of directors of the Company. Mr. Lo also agreed to take up such other job duties in relation to the Remaining Subsidiaries as may determine between the board of directors of Techcomp Scientific and Mr. Lo; and (ii) Mr. Chan's major job duties under the current role as a Director and as a consultant under the Mr. Chan's Service Agreement will be substantially the same, which is responsible for the formulating and monitoring the Remaining Subsidiaries' overall strategic plan, in particular their sales and overall operations in the PRC.

In view of the above, we compare the proposed remuneration of Mr. Lo and Mr. Chan under the Service Agreements with their past basic salaries and allowances as shown below:

	Financial year ended 31 December 2015 US\$'000	Financial year ended 31 December 2016 US\$'000	Financial year ended 31 December 2017 US\$'000	<b>Proposed remuneration of Mr. Lo and Mr. Chan as set out in each of the Service Agreements approximately US\$'000</b>
Mr. Lo	178	188	196	307.69
Mr. Chan	119	123	127	123.08

According to the above table, for the three years ended 31 December 2017, the basic salaries and allowances of Mr. Lo were approximately US\$178,000, US\$188,000 and US\$196,000 respectively, representing an average growth rate of approximately 4.15% p.a. Pursuant to Mr. Lo's Service Agreement, the proposed remuneration of Mr. Lo will be HK\$2,400,000 (approximately US\$307,692), which represents a premium of approximately over 56.98% when compare to the remuneration of Mr. Lo for the financial year ended 31 December 2017. As discussed with the management of the Group, we understand that the remuneration of Mr. Lo set out in the Mr. Lo's Service Agreement is agreed as (i) with reference to the other existing senior management of the Company who is performing a similar role as Mr. Lo (i.e Mr. Christopher James O'Connor, who is also an executive Director) and received a basic salary and allowances of approximately US\$325,000 for the year ended 31 December 2017; (ii) Mr. Lo has extensive experience in the life

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science research and equipment industry and being the founder of the Group; (iii) Mr. Lo who was an executive Director as at the Latest Practicable Date and was responsible for the overall management and operations of the Remaining Subsidiaries and the formation of overall corporate directions and strategies of the Remaining Group and who will continue to discharge role and responsibilities upon the completion of the Group Reorganisation; and (iv) Mr. Lo's consultancy services in the coming two years will ensure the smooth handover of the business of the Remaining Group.

According to the above table, for the three years ended 31 December 2017, the basic salaries and allowances of Mr. Chan were approximately US\$119,000, US\$123,000 and US\$127,000 respectively, with an average of US\$123,000. Pursuant to Mr. Chan's Service Agreement, the proposed remuneration of Mr. Chan will be HK\$960,000 (approximately US\$123,080), which is approximately same as the average basis salaries and allowances for the past three years, we are of the view that the proposed remuneration of Mr. Chan is fair and reasonable.

In assessing the fairness and reasonableness of the terms under the Service Agreements, we also compare the proposed basic salaries and allowances of Mr. Lo and Mr. Chan with the basic salaries and allowances of executive directors of the Market Comparables. In formulating our analysis, we have considered adopting the remunerations-to-profit ratio and the remunerations-to-revenue ratio (the "**Remuneration Ratio**"). Given that the computation of net profit after taxation for those Market Comparables are subject to different factors, among others, such as (i) the different tax regime in different countries where the Market Comparables operated; (ii) the adopting of different depreciation and amortization policies; and (ii) the comprising of non-operating items including gain/loss on disposal of subsidiaries, we consider that using the remunerations-to-profit ratio is inapplicable. Set out below are the comparable analysis with the Remuneration Ratio of the respective directors of Market Comparables which disclosed the remunerations of their executive director based on the respective latest published financial information:

<b>Company Name</b>	<b>Stock Code</b>	<b>Executive Director's name</b>	<b>Remuneration to revenue of the respective companies (%)</b>
MicroPort Scientific Corporation	853	Zhaohua Chang	0.02
Shandong Weigao Group Medical Polymer Company Limited	1066	Zhang Hua Wei	0.03
		Wang Yi	0.03
		Gong Jian Bo	0.03
		Xia Lie Bo	0.02
LifeTech Scientific Corporation	1302	Xie Yuehui	0.30
		Liu Jianxiong	0.28
		Xiao Ying	0.09
		Zhang Deyuan	0.08

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Company Name	Stock Code	Executive Director's name	Remuneration to revenue of the respective companies (%)
Vincent Medical Holdings Limited	1612	Choi Man Shing	0.25
		To Ki Cheung	0.28
		Koh Ming Fai	0.21
		Fu Kwok Fu	0.19
Beijing Chunlizhengda Medical Instruments Company Limited	1858	Shi Chunbao	0.20
		Yue Shujun	0.17
		Wang Jianliang	0.07
Yestar Healthcare Holdings Company Limited	2393	James Hartono	0.08
		Wang Ying	0.03
		Chan To Cheung	0.03
		Chan Chung Man	0.03
		Wang Hong	0.01
Modern Dental Group Limited	3600	Chan Kwun Fung	0.08
		Chan Kwun Pan	0.08
		Ngai Shing Kin	0.13
		Chan Chi Yuen	0.06
		Chan Ronald Yik Long	0.06
		Chan Yik Yu	0.06
		Ngai Chi Ho Alwin	0.11
		Maximum	0.30
		Minimum	0.01
		Average	0.11
		Mr. Lo (Note 1)	0.21
		Mr. Chan (Note 2)	0.08

*Notes:*

- Mr Lo's Remuneration Ratio under the Mr. Lo's Service Agreement was calculated based upon the proposed remuneration of HK\$2,400,000 and the unaudited revenue of the Remaining Group disclosed in the section headed "Appendix V - Unaudited Pro Forma Financial Information of the Remaining Group" for the financial year ended 31 December 2017.
- Mr. Chan's Remuneration Ratio under the Mr. Chan's Service Agreement was calculated based upon the proposed remuneration of HK\$960,000 and the unaudited revenue of the Remaining Group disclosed in the section headed "Appendix V - Unaudited Pro Forma Financial Information of the Remaining Group" for the financial year ended 31 December 2017.
- According to the annual report for the year ended 31 December 2017 of Sisram Medical Limited ("Sisram Medical") (Stock code: 1696), all the executive directors of Sisram Medical did not receive salaries for the year ended 31 December 2017. Therefore, Sisram Medical considered as outlier and is excluded from the above analysis.

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As depicted in the above table, the Remuneration Ratios of the Market Comparables ranged from approximately 0.01% to approximately 0.30%, with an average of approximately 0.11%. Accordingly, Mr. Lo's Remuneration Ratio of approximately 0.21% is within the range of the Remuneration Ratio despite it is above the average of the Remuneration Ratios of the Market Comparables. Furthermore, Mr. Chan's Remuneration Ratio of approximately 0.08% is within the range of the Remuneration Ratio and below than the average of the Remuneration Ratios of the Market Comparables. As advised by the management of the Group, the difference between Mr. Lo's and Mr. Chan's remuneration is due to (i) Mr. Lo's extensive experience in this industry given Mr. Lo is being the founder of the Group; and (ii) the additional scope of services to be performed by Mr. Lo under the Mr. Lo's Service Agreement as described above.

In view of the above, we consider that the terms (including the proposed remuneration) of the Service Agreements are fair and reasonable.

### **8. Financial Effects of the Group Restructuring and the Distribution In Specie**

Set out in Appendix V to the Circular is the unaudited pro forma financial information of the Remaining Group which illustrates the financial impact of the Group Reorganisation and the Distribution In Specie on the results and cash flows of the Remaining Group as if the Group Reorganisation and the Distribution In Specie had been completed on 1 January 2017, and the financial impact of the Group Reorganisation and the Distribution In Specie and on the assets and liabilities of the Remaining Group as if the Group Reorganisation and the Distribution In Specie were completed on 31 December 2017. Upon completion of the Group Reorganisation and the Distribution In Specie, all the Company's existing subsidiaries other than Remaining Subsidiaries will cease to be the Company's subsidiaries and their financial results will not be consolidated into the Company's financial results.

According to the unaudited pro forma financial information of the Remaining Group as set out in Appendix V to the Circular, assuming the Group Reorganisation and the Distribution In Specie had taken place on 31 December 2017, the pro forma total assets of the Remaining Group would be approximately US\$90.7 million, which represented a decrease of approximately US\$75.1 million from the Group's total assets as at 31 December 2017, the pro forma total liabilities of the Remaining Group would be approximately US\$51.3 million, which represented a decrease of approximately US\$32.5 million from the Group's total liabilities as at 31 December 2017, and the pro forma net assets of the Remaining Group would be approximately US\$39.4 million, which represented a decrease of approximately US\$42.7 million from the Group's net assets as at 31 December 2017.

According to the unaudited pro forma financial information of the Remaining Group as set out in Appendix V to the Circular, assuming the Group Restructuring and the Distribution In Specie had taken place on 1 January 2017, the Remaining Group would record a pro forma loss of approximately US\$8.8 million, as compared to a net loss of approximately US\$1.0 million of the Group for the financial year.

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### RECOMMENDATION

Having considered the principal factors and reasons as stated above, in particular:

*In respect of the Distribution In Specie*

- (i) after completion of the Distribution In Specie (where the Privateco Group had been loss making in the past three years), the overall profitability of the Group, a listed vehicle, is expected to improve; and (ii) all existing Shareholders are entitled to receive their equity interest in the Privateco Group on a pro rata basis;
- (ii) the Independent Shareholders will be able to receive the Combined Offer Price of HK\$4.107 from the Listco Offers and the Privateco Offer following completion of the Distribution In Specie and that:
  - (a) the average of the closing prices of the Shares during the Review Period was approximately HK\$2.26. The Combined Offer Price represents a premium of approximately 81.73% over such average closing price;
  - (b) the Combined Offer Price represents a premium of approximately 9.81% over the closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date;
  - (c) the Combined Offer Price represents a premium of approximately 46.16% over the Adjusted NAV as at 31 December 2017 of approximately HK\$2.81 per Share;
  - (d) the PBRs of the Market Comparables ranged from approximately 0.95 times to approximately 8.58 times, with a median of approximately 1.82 times and an average of approximately 3.38 times. Accordingly, although the implied PBR of the Combined Offer Price of approximately 1.46 times is below the average of the PBRs of the Market Comparables, it is above the median of the PBRs of the Market Comparables; and
  - (e) the implied PER of the Combined Offer Price is higher than the range of the historical PERs of the Market Comparables.

*In respect of the CB Subscription Agreement*

- (i) the CB Subscription Agreement will provide an additional source of financing at a lower cost for general working capital purpose should the Remaining Group experience unexpected short fall in general working capital;
- (ii) the Conversion Price of HK\$3.267 represents a premium of approximately 147.50% over the lowest closing price, a discount of approximately 25.07% to the highest closing price and a premium of approximately 44.56% over the average closing price during the Review Period;

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- (iii) the Conversion Price of HK\$3.267 represents a discount of approximately 12.65% of the closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date;
- (iv) the Conversion Price of HK\$3.267 represents a premium of 16.26% over the Adjusted NAV as at 31 December 2017 of approximately HK\$2.81 per Share; and
- (v) the Conversion Price of HK\$3.267 per Share represents (i) a premium of approximately 32.80% over the closing price per Share on the Last Trading Date, which falls within the LTD Range and is above the LTD Average; (ii) a premium of approximately 42.66% over the average closing price per Share for last five trading days up to and including the Last Trading Date, which falls within the 5-Days Range and is above the 5-Days Average.

### *In respect of the Supply Framework Agreement*

- (i) the Supply Framework Agreement will secure a stable source of instruments supply (the instruments to be supplied under the Supply Framework Agreement will be the Privateco's own-brand products with its own technical specifications, as such it is not that straightforward for the Remaining Group to identify alternative suppliers given that those instruments are self-manufactured as well as self-brand products of the Privateco Group) and assist the Remaining Group in meeting demands from customers subsequent to the Distribution In Specie; and
- (ii) the proposed annual caps of HK\$180 million under the Supply Framework Agreement is equivalent to the average of the unaudited historical transaction amounts for the three years ended 31 December 2017.

### *In respect of the Services Agreements*

- (i) Given Mr. Lo's and Mr. Chan's long-standing familiarity, experience and domain knowledge of the business, their consultancy services in the coming two years will help to ensure the smooth handover of the business of the Remaining Group and support the business development of the Remaining Group following the Distribution In Specie; and
- (ii) the Remuneration Ratios of the Market Comparables ranged from approximately 0.01% to approximately 0.30%, with an average of approximately 0.11%. Accordingly, Mr. Lo's Remuneration Ratio of approximately 0.21% is within the range of the Remuneration Ratio despite it is above the average of the Remuneration Ratios of the Market Comparables. Furthermore, Mr. Chan's Remuneration Ratio of approximately 0.08% is within the range of the Remuneration Ratio and below than the average of the Remuneration Ratios of the Market Comparables,



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## LETTER FROM AMASSE CAPITAL

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we are of the view that the Distribution In Specie, the Supply Framework Agreement, the Service Agreements, the CB Subscription Agreement and the respective transactions contemplated thereunder are fair and reasonable and is in the interests of the Company and the Shareholders as a whole. While we do not consider the Distribution In Specie and the CB Subscription Agreement to be in the Company's ordinary and usual course of business, we consider the Supply Framework Agreement and the Service Agreements to be in the Company's ordinary and usual course of business. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolutions to be proposed at the SGM in respect of the Distribution In Specie, the Supply Framework Agreement, the Service Agreements, the CB Subscription Agreement and the respective transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Amasse Capital Limited**  
**Michael Lam**  
*Managing Director*

*Information contained in this appendix is reproduced from the Joint Announcement for the purpose of providing with the Shareholders and the Optionholders reference in respect of the key terms of the Listco Offers and the Privateco Offer. Capitalised terms used in the paragraphs headed "A. Possible Unconditional Voluntary Cash Offer To Acquire The Privateco Shares, "B. Possible Unconditional Mandatory Cash General Offers To Acquire The Offer Shares And To Cancel All The Outstanding Share Options and "C. Comparison Of The Combined Offer Price With Market Prices Of The Shares And Net Asset Value Per Share" of this Appendix have the meaning ascribed to them in the "Definitions" section of the Joint Announcement. **Information reproduced from the Joint Announcement reflects the situation as of the date of the Joint Announcement.** Save for the number of Privateco Shares is authorised to issue and in issue is increased to 50,000,000 Privateco Shares of par value US\$0.001 each upon completion of subdivision of each Privateco Share of par value US\$1.00 into 1,000 Privateco Shares of par value US\$0.001 each as of the Latest Practicable Date, to the best of the knowledge and belief of the Directors after all reasonable enquiries, there is no material change to the information contained in this appendix since the date of the Joint Announcement. Detailed terms of the Listco Offers and the Privateco Offer were set out in the Joint Announcement and will be set out in the Listco Offer Document and the Privateco Offer Document (as the case may be). Each of the Listco Offer Document and the Privateco Offer Document is expected to be despatched on Wednesday, 8 August 2018.*

The Joint Announcement also contains the following responsibility statements:

*"The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than the information relating to the Offeror, Circle Brown, their respective associates and parties acting in concert with them), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the Offeror and Circle Brown) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement contained in this joint announcement misleading."*

*"The sole director of the Offeror and the directors of YEIG jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than the information relating to the Group, Circle Brown, the Vendors, their respective associates and parties acting in concert with them), and confirms, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than the information relating to the Group, Privateco, Circle Brown, the Vendors, their respective associates and parties acting in concert with them) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement contained in this joint announcement misleading."*

*"The sole director of Circle Brown accepts full responsibility for the accuracy of the information contained in this joint announcement (other than the information relating to the Group, the Offeror, their respective associates and parties acting in concert with them), and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this joint announcement (other than those expressed by the Group, the Directors and the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement contained in this joint announcement misleading."*

**A. POSSIBLE UNCONDITIONAL VOLUNTARY CASH OFFER TO ACQUIRE THE PRIVATECO SHARES**

Privateco is a direct wholly-owned subsidiary of the Company as at the date of the Joint Announcement. Mr. Lo and his spouse will own, control or have directions over 112,456,500 Privateco Shares, representing approximately 40.8% of the issued share capital of Privateco, based on their shareholdings in the Company as at the date of the Joint Announcement, immediately upon completion of the Distribution In Specie. Given that the Privateco Shares will not be listed on any stock exchange, holders of the Privateco Shares may therefore find it difficult to liquidate their holdings in the Privateco Shares. Mr. Lo considers, in these circumstances, that it is appropriate to provide the Privateco Shareholders with an opportunity to realise their holdings in the Privateco Shares by making the Privateco Offer on a voluntary basis pursuant to the Takeovers Code.

Upon completion of the Distribution In Specie, Somerley Capital will, on behalf of Circle Brown and pursuant to the Takeovers Code, make the Privateco Offer to the Privateco Shareholders to acquire all the issued Privateco Shares, other than those already owned or agreed to be acquired by Circle Brown and parties acting in concert with it, on the following basis:

For every Privateco Share held\* . . . . . HK\$0.84 in cash

\* The number of the Privateco Shares to be in issue will be equal to the total number of the Shares in issue on the Record Date. The Company will announce the Record Date in accordance with Rule 13.66 of the Listing Rules as and when appropriate.

As the Privateco Offer will only be made following the completion of the Distribution In Specie, which is subject to a number of conditions precedent, the making of the Privateco Offer may or may not proceed and, as such is only a possibility. In the event that the Privateco Offer is made, it will be an unconditional cash offer. Investors and the Privateco Shareholders are urged to exercise caution when dealing in the Privateco Shares.

The price for the Privateco Offer has been determined after taking into account factors including (i) the market price of the Shares, in particular the persistent discount of the “undisturbed” market price of the Shares before the MOU Announcement to the Group’s net asset value, for example, the average closing price of the Shares from 1 January 2017 to 22 May 2017 (the last trading day before MOU Announcement) of approximately HK\$1.34 representing a substantial discount of approximately 41.7% to the Group’s net asset value of approximately HK\$2.3 per Share as at 31 December 2016; (ii) the latest financial position of the Privateco Group, including the unaudited pro forma financial information of the Privateco Group as at 31 December 2017, as set out in Appendix VI to this circular, showing an equity attributable to owners of the Privateco of approximately US\$42,470,000 (or HK\$331,266,000), or approximately HK\$1.20 per Privateco Share (assuming 275,437,000 Privateco Shares currently expected to be in issue following completion of the Group Reorganisation), and that the Privateco Offer price represented approximately 30.0% discount to such per share net assets of the Privateco Group, significantly lower than the abovementioned 41.7% discount of the “undisturbed” market price of the Shares to its net assets; (iii) the unsatisfactory operating performance of the Privateco Group in recent years, as detailed in the section headed “Reasons for and effects of the Group Reorganisation and the Distribution In Specie” contained in the Letter from the Board; (iv) the limited liquidity of the shares of the Privateco, given that no application will be made for the listing of, and permission to deal in, the Privateco Shares on the Hong Kong Stock Exchange, the SGX-ST or any other stock exchange; and (v) the fact that Mr. Lo is the single largest shareholder of the Company and will be the single largest shareholder of the Privateco upon completion of the Distribution In Specie, such that there will be no change in control of the Privateco and the Privateco Offer Price does not include a control premium.

**Value of the Privateco Offer**

As at the date of the Joint Announcement, there are 50,000 Privateco Shares in issue.

Save as aforesaid, Privateco has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the date of the Joint Announcement. Upon completion of the Group Reorganisation and before completion of the Distribution In Specie, it is expected that the number of the Privateco Shares in issue will be equal to the number of Shares in issue, so as to enable the Distribution In Specie on the basis of one Privateco Share for every Share held. Assuming no additional Shares will be issued between the date of the Joint Announcement and the completion of the Group Reorganisation, it is expected that the number of the Privateco Shares in issue will be 275,437,000. Based on the offer price of HK\$0.84 per Privateco Share, Privateco is valued at approximately HK\$231.4 million.

Excluding the 112,456,500 Privateco Shares to be distributed to Mr. Lo and his spouse, there will be 162,980,500 Privateco Shares subject to the Privateco Offer. Based on the offer price of HK\$0.84 per Privateco Share, the Privateco Offer is valued at approximately HK\$136.9 million.

**Financial resources**

The amount of funds required for the full acceptance of the Privateco Offer will be fully financed by the proceeds from the disposal of the Sale Shares I pursuant to the SPA I. Mr. Lo has issued to the Purchaser an irrevocable payment direction pursuant to which Mr. Lo directs and authorises the Purchaser, upon Sale and Purchase Completion, to deposit HK\$160,000,000.00 into a bank account maintained under the name of Circle Brown, which is sufficient to fund full acceptance of the Privateco Offer. Somerley Capital, the financial adviser to Circle Brown in respect of the Privateco Offer, is satisfied that sufficient financial resources will be available to Circle Brown to satisfy full acceptance of the Privateco Offer, upon Sale and Purchase Completion.

**Payment**

Payment in cash in respect of acceptances of the Privateco Offer will be made as soon as possible but in any event within seven business days (as defined in the Takeovers Code) of the date on which the duly completed acceptances of the Privateco Offer and the relevant documents of title in respect of such acceptances are received by Tricor Investor Services Limited in case of the Privateco Offer to render such acceptance complete and valid.

**Hong Kong stamp duty**

Given that Privateco is a company incorporated in BVI where its register of members is located and maintained, no Hong Kong stamp duty is payable on any transfer of Privateco Shares.

**Taxation advice**

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Privateco Offer. None of Circle Brown, parties acting in concert with the Circle Brown, Privateco, Somerley Capital, and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Privateco Offer accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Privateco Offer.

**Overseas Shareholders**

As the Privateco Offer to persons who do not have a registered address in Hong Kong or Singapore may be prohibited or affected by the laws of the relevant jurisdictions, Overseas Shareholders should keep themselves informed and observe any applicable legal or regulatory requirements and where necessary seek legal advice. It is the responsibility of the Overseas Shareholders who wish to accept the Privateco Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction).

**Compulsory redemption**

Circle Brown intends to avail itself of any compulsory redemption provisions under the applicable laws in BVI and the relevant provisions of the Takeovers Code. In the event that upon closing of the Privateco Offer, Circle Brown receives acceptances of the Privateco Offer of such number of disinterested Privateco Shares (i.e. Privateco Shares other than those owned or agreed to be acquired by Circle Brown and parties acting in concert with it) which, together with the Privateco Shares held by Circle Brown and parties acting in concert with it (including Mr. Lo and his spouse) immediately prior to the Privateco Offer, constitute 90% or more of the total Privateco Shares in issue, Circle Brown (together with its concert parties) intends to, without delay, direct Privateco to mandatorily redeem the Privateco Shares not already owned or agreed to be acquired by Circle Brown and parties acting in concert with it pursuant to section 176 of BVI Business Companies Act 2004 (as amended), but subject to the Takeovers Code. Such right of Circle Brown (together with its concert parties) to direct Privateco to mandatorily redeem the Privateco Shares will constitute a right of compulsory acquisition under Rule 15.6 of the Takeovers Code.

In addition to the aforesaid requirement, Rule 2.11 of the Takeovers Code allows Circle Brown and parties acting in concert to exercise their rights of compulsory acquisition if acceptances of the Privateco Offer during the period of 4 months after posting of the Privateco Offer Document amount to 90% of the disinterested Privateco Shares.

Further announcement(s) will be made on whether the compulsory redemption can be implemented. As a result of the compulsory redemption (if applicable), Circle Brown and its concert parties together will hold 100% of the Privateco Shares.

**Other arrangements**

The Privateco Shares subject to the Privateco Offer will be acquired by Circle Brown with the right to receive all dividends and distributions declared, paid or made on or after the date of the issue of the Privateco Shares and free from all third party rights.

As at the date of the Joint Announcement:

- (i) none of Circle Brown, its ultimate beneficial owner and/or any persons acting in concert with any of them own or have control or direction over any shares, voting rights or rights over shares in Privateco, save for the Privateco Shares indirectly owned by Mr. Lo and his spouse through the Company and the Privateco Shares to be obtained by Mr. Lo and his spouse upon the Distribution In Specie;
- (ii) none of Circle Brown, its ultimate beneficial owner and/or any persons acting in concert with any of them hold any convertible securities, warrants or options in respect of shares, voting rights or rights over shares in Privateco;
- (iii) none of Circle Brown, its ultimate beneficial owner and/or any persons acting in concert with any of them have received any irrevocable commitment to accept the Privateco Offer;
- (iv) none of Circle Brown, its ultimate beneficial owner and/or any persons acting in concert with any of them have entered into any derivative in respect of securities of Privateco which is outstanding;
- (v) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of Circle Brown or Privateco Shares and which may be material to the Privateco Offer (as referred to in Note 8 to Rule 22 of the Takeovers Code);
- (vi) there is no agreement or arrangement to which Circle Brown, its ultimate beneficial owner and/or parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a precondition or a condition to the Privateco Offer; and

there is no relevant security (as defined in Note 4 to Rule 22 of the Takeovers Code) in Privateco which Circle Brown, its ultimate beneficial owner and/or any person acting in concert with any of them has borrowed or lent. For those Shareholders who wish to retain their investments in the Distributed Business after completion of the Distribution In Specie, they may choose not to accept the Privateco Offer and continue to hold the Privateco Shares. They should, however, be aware that there is unlikely to be any market for the Privateco Shares since there is no intention to list the Privateco Shares on any stock exchange. Moreover, the Privateco Shares may be subject to the compulsory acquisition or redemption provisions of BVI Business Companies Act (as may be amended from time to time) and the relevant provision of the Takeovers Code if sufficient Privateco Shares are acquired by Circle Brown under the Privateco Offer. Details of the possible compulsory redemption are set out above in the sub-section headed "Compulsory redemption".

Shareholders should read the advice of the independent financial adviser in respect of the Privateco Offer that will be included in the Privateco Offer Document before deciding whether or not to accept the Privateco Offer.

**Background of Circle Brown and its intentions regarding Privateco**

Circle Brown is a company incorporated in BVI with limited liability. As at the date of the Joint Announcement, Circle Brown is directly and wholly owned by Mr. Lo.

It is the intention of Circle Brown that the Privateco Group will not make changes to its principal businesses nor conduct any business other than the Distributed Business. It is also the intention of Circle Brown that the Privateco Group will not hold any assets other than those relating to the Distributed Business, nor be injected with any major assets, nor dispose of any major assets, after the close of the Privateco Offer, unless prior approval by the holders of the Privateco Shares has been obtained. Interests of the Privateco Shareholders will be safeguarded by new articles of association of Privateco. A summary of key terms of the new articles of association of Privateco will be included in Appendix VIII of this circular. Though there is no intention for the Privateco Group to conduct any fundraising activities including rights issues, the Privateco Group may have to be restructured or strategic alternatives considered in light of the Privateco Group's performance in recent years.

As at the date of the Joint Announcement, the sole director of Privateco is Mr. Lo, who is a Director and one of the Vendors.

**B. POSSIBLE UNCONDITIONAL MANDATORY CASH GENERAL OFFERS TO ACQUIRE THE  
OFFER SHARES AND TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS**

As at the date of the Joint Announcement, the Offeror and parties acting in concert with it do not hold any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately after the Sale and Purchase Completion, the Offeror and parties acting in concert with it will be interested in a total of 169,541,148 Shares, representing approximately 61.5% of the issued share capital of the Company assuming none of the outstanding Share Options have been exercised or approximately 58.3% of the issued share capital of the Company assuming all outstanding Share Options have been vested and exercised in full, so the Offeror will be required to make an unconditional mandatory cash general offer to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code. Pursuant to Rule 13.5 of the Takeovers Code, the Listco Option Offer would also be made to cancel all the outstanding Share Options (whether vested or not) in the period prior to the close of the Listco Share Offer.

As at the date of the Joint Announcement, the Company has 275,437,000 Shares in issue and 15,473,000 outstanding Share Options conferring rights on the Optionholders to subscribe for up to an aggregate of 15,473,000 Shares, all of the Share Options have been vested. Assuming that all the Share Options are vested and exercised in full, the Company will have to issue 15,473,000 new Shares, representing approximately 5.3% of the issued share capital of the Company as at the date of the Joint Announcement as enlarged by the allotment and issue of the aforementioned new Shares. As at the date of the Joint Announcement, the outstanding Share Options are set out below:

- (i) 135,000 Share Options are vested and exercisable at Adjusted Option Price of S\$0.12 per Share during an exercise period from 15 April 2009 to 14 April 2018;
- (ii) 1,270,500 Share Options are vested and exercisable at Adjusted Option Price of S\$0.07 per Share during an exercise period from 2 March 2010 to 1 March 2019;
- (iii) 150,000 Share Options are vested and exercisable at Adjusted Option Price of S\$0.07 per Share during an exercise period from 22 May 2010 to 21 May 2019;
- (iv) 5,442,500 Share Options are vested and exercisable at Adjusted Option Price of S\$0.09 per Share during an exercise period from 11 January 2011 to 10 January 2020;
- (v) 6,775,000 Share Options are vested and exercisable at Adjusted Option Price of S\$0.28 per Share during an exercise period from 6 January 2012 to 5 January 2021; and



- (vi) 1,700,000 Share Options are granted, of which the first tranche (30% of the 1,700,000 Share Options) is vested and exercisable at Adjusted Option Price of HK\$1.16 per Share during an exercise period from 22 January 2018 to 22 January 2025, the second tranche (30% of the 1,700,000 Share Options) will be vested and exercisable at Adjusted Option Price of HK\$1.16 per Share during an exercise period from 22 January 2019 to 22 January 2025, and the third tranche (40% of the 1,700,000 Share Options) will be vested and exercisable at Adjusted Option Price of HK\$1.16 per Share during an exercise period from 22 January 2020 to 22 January 2025.

As at the date of the Joint Announcement, save for the outstanding Share Options as set out above, the Company had no other outstanding warrants, derivatives or convertibles in issue which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

Subject to and upon the Sale and Purchase Completion, Deloitte Corporate Finance, on behalf of the Offeror and in compliance with the Takeovers Code, will make the Listco Offers to (i) acquire all the Offer Shares; and (ii) cancel all the outstanding Share Options (whether vested or not), on the following basis:

#### The Listco Share Offer

**For every Offer Share held . . . . . HK\$3.267 in cash**

**Listco Share Offer will only be made if the Sale and Purchase Completion takes place and the Sale and Purchase Completion is conditional upon fulfilment or waiver (where applicable) of certain conditions under the Sale and Purchase Agreements. Accordingly, the Sale and Purchase Agreements may or may not be completed and the Listco Share Offer may or may not proceed. The Shareholders, the Optionholders and the potential investors are therefore urged to exercise caution when dealing in the Shares and the Share Options.**

The Listco Share Offer will be open for acceptance by the Shareholders other than the Offeror and parties acting in concert with it whose Shares are traded on the Hong Kong Stock Exchange and SGX-ST. A copy of the Joint Announcement is available on SGXNET and on the website of the SGX-ST at [www.sgx.com](http://www.sgx.com). The Listco Share Offer Price is the same as the purchase price per Sale Share under the Sale and Purchase Agreements which was arrived at after arm's length negotiations between the Purchaser and the Vendors and Mr. Guo.

Based on the Listco Share Offer Price of HK\$3.267 per Offer Share and 275,437,000 Shares in issue as at the date of the Joint Announcement, the entire issued share capital of the Company is valued at approximately HK\$899,852,679.

The Listco Share Offer will extend to all Shares in issue on the date on which the Listco Share Offer is made, being the date of despatch of the Listco Offer Document, and to any further Shares which are unconditionally allotted or issued on the exercise of the Share Options, other than those Shares held by the Offeror and persons acting in concert with it.

**COMPARISON OF VALUE**

The Listco Share Offer Price of HK\$3.267 represents:

- (i) a premium of approximately 32.80% over the closing price of HK\$2.46 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 42.66% over the average closing price of the Shares as quoted on the Hong Kong Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of HK\$2.29 per Share;
- (iii) a premium of approximately 43.92% over the average closing price of the Shares as quoted on the Hong Kong Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day of approximately HK\$2.27 per Share;
- (iv) a premium of approximately 37.85% over the average closing price of the Shares as quoted on the Hong Kong Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$2.37 per Share;
- (v) a premium of approximately 48.50% over the average closing price of the Shares as quoted on the Hong Kong Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of approximately HK\$2.20 per Share;
- (vi) a discount of approximately 12.65% to the closing price of HK\$3.74 per Share as quoted on the Hong Kong Stock Exchange on the Latest Practicable Date; and
- (vii) a premium of approximately 38.43% over the audited consolidated net asset attributable to the owners of the Company of approximately HK\$2.36 per Share as at 31 December 2017 (calculated based on the audited consolidated equity attributable to the Shareholders of approximately US\$83.35 million as at 31 December 2017 (approximately HK\$650.13 million as at 31 December 2017 as disclosed in the Company's 2017 annual report) and 275,437,000 Shares in issue as at 31 December 2017).

**Highest and lowest Share prices**

During the six-month period preceding the date of the MOU Announcement and the period up to and including the Last Trading Day:

- (i) the highest closing price of the Shares as quoted on the Hong Kong Stock Exchange was HK\$2.68 on 18 January 2018; and
- (ii) the lowest closing price of the Shares as quoted on the Hong Kong Stock Exchange was HK\$1.14 on 18 January 2017.

**The Listco Option Offer**

**For cancellation of each Share Option with an  
Adjusted Option Price of S\$0.12 per Share . . . . . HK\$2.571 in cash**

**For cancellation of each Share Option with an  
Adjusted Option Price of S\$0.07 per Share . . . . . HK\$2.861 in cash**

**For cancellation of each Share Option with an  
Adjusted Option Price of S\$0.09 per Share . . . . . HK\$2.745 in cash**

**For cancellation of each Share Option with an  
Adjusted Option Price of S\$0.28 per Share . . . . . HK\$1.643 in cash**

**For cancellation of each Share Option with an  
Adjusted Option Price of HK\$1.16 per Share . . . . . HK\$2.107 in cash**

The Listco Option Offer will only be made if the Sale and Purchase Completion takes place and the Sale and Purchase Completion is conditional upon fulfilment or waiver (where applicable) of certain conditions under the Sale and Purchase Agreements.

Based on the Listco Option Offer Prices for the cancellation of each outstanding Share Option and the corresponding number of outstanding Share Options, the maximum amount payable under the Listco Option Offer (assuming no Share Options are exercised prior to the date of closing of the Listco Offers and the Listco Option Offer is accepted in full) is approximately HK\$34,064,023.

A comparison of the Listco Share Offer Price to the closing prices of the Shares is set out above under the heading “Comparison of value”. Pursuant to Rule 13 and Practice Note 6 of the Takeovers Code, the Listco Option Offer Price will normally represent the difference between the exercise price of the respective Share Options and the Listco Share Offer Price.

Under the Listco Option Offer, the Listco Option Offer Prices for each Share Option represent the difference between the Listco Share Offer Price and the respective Adjusted Option Prices of these Share Options. The Listco Option Offer will extend to all outstanding Share Options on the date on which the Listco Option Offer is made, being the date of despatch of the Listco Offer Document, other than those Share Options held by the Offeror and parties acting in concert with it. As at the date of the Joint Announcement, the Offeror and parties acting in concert with it do not hold any Share Options.

**Share Award Scheme**

The Company adopted a share award scheme on 11 January 2017 (the “**Share Award Scheme**”). According to the Share Award Scheme, if there occurs an event of change in control (as specified in the Takeovers Code) of the Company, whether by way of offer, merger, scheme of arrangement or otherwise, all the awarded shares and the related income under the Share Award Scheme shall immediately vest on the date when such change in control event becomes or is declared unconditional and such date shall

be deemed the vesting date. As at the date of the Joint Announcement, the Company has not granted any shares pursuant to the Share Award Scheme.

**Value of the Listco Offers**

As at the date of the Joint Announcement, there were 275,437,000 Shares in issue. Assuming that there is no change in the issued share capital of the Company and none of the outstanding Share Options are exercised and on the basis of the Listco Share Offer Price at HK\$3.267 per Offer Share, the entire issued share capital of the Company is valued at approximately HK\$899,852,679.

Assuming that all the 15,473,000 outstanding Share Options are fully exercised, there will be 290,910,000 Shares in issue and, on the basis of the Listco Share Offer Price at HK\$3.267 per Offer Share, the entire issued share capital of the Company is valued at approximately HK\$950,402,970.

Based on the foregoing, the aggregate cash consideration payable by the Offeror under the Listco Offers (assuming no Share Options are exercised and full acceptances under the Listco Offers) will be approximately HK\$380,025,771. The aggregate cash consideration payable by the Offeror under the Listco Offers (assuming all Share Options are exercised and full acceptances under the Listco Offers) will be approximately HK\$396,512,039.

**Financial resources available to the Offeror**

The Offeror intends to finance the consideration payable under the Listco Offers and the consideration under the Sale and Purchase Agreements from its internal resources. In this connection, a sum sufficient to cover the consideration payable under the Listco Offers and the consideration under the Sale and Purchase Agreements have already been deposited by the Offeror into an escrow account, where such amount will continue to be held in escrow by an escrow agent which is a bank. Deloitte Corporate Finance, as the financial adviser to the Offeror, is satisfied that sufficient resources are available to the Offeror to satisfy the amount of funds required for the Sale and Purchase Completion and full acceptance of the Listco Offers.

**Effect of accepting the Listco Offers**

The Listco Share Offer, subject to the Sale and Purchase Completion taking place, will be unconditional. By accepting the Listco Share Offer, the Shareholders will sell their Shares to the Offeror free from all Encumbrances and together with all rights attaching to them including the right to receive all dividends and distributions (but excluding the Distribution In Specie) which may be declared, paid or made at any time on or after the date on which the Listco Share Offer is made, being the date of despatch of the Listco Offer Document. Acceptances of the Listco Share Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

In accordance with the terms of the 2004 Share Option Scheme, the 2004 Optionholders holding 2004 Share Options as yet unexercised are entitled to exercise such 2004 Share Options in full or in part (as may be determined by the 2004 Share Option Scheme Committee in its absolute discretion) in the period commencing on the date on which the Listco Share Offer is made, and ending on the earlier of the

expiry of three months thereafter (unless prior to the expiry of such three-month period, at the recommendation of the Offeror and with the approvals of the 2004 Share Option Scheme Committee, the SGX-ST, and/or such other relevant regulating authority, such expiry date is extended to a later date (being a date falling not later than the date of expiry of the option period)); or the date of expiry of the option period relating thereto, whereupon any Share Option then remaining unexercised shall lapse and be null and void, provided always that if during such period the Offeror becomes entitled or bound to exercise the rights of the Shares compulsory acquisition under any applicable law and, being entitled to do so, gives notice to the 2004 Optionholders that it intends to exercise such rights on a specified date, the 2004 Share Option shall remain exercisable by the 2004 Optionholders until the expiry of such specified date or the option period relating thereto, whichever is earlier.

In accordance with the terms of the 2011 Share Option Scheme, the 2011 Optionholders are entitled to exercise the 2011 Share Options in full or in part (but if in part only, in respect of a board lot or any integral multiple thereof) by notice in writing (to the extent which has become exercisable on the date of the notice and not already exercised) at any time during the option period relating thereto, provided that if the Listco Offers become or is declared unconditional prior to the expiry of the relevant option period, the 2011 Optionholders are entitled to exercise the 2011 Share Options until one month after the date on which the Listco Offers become or is declared unconditional. The 2011 Share Options shall lapse automatically and not be exercisable on the expiry of the aforementioned period.

The Listco Option Offer, subject to the Sale and Purchase Completion taking place, will be unconditional. By accepting the Listco Option Offer, the Optionholders will consent to cancel their Share Options granted but not exercised and together with all rights attaching to them on or after the date on which the Listco Option Offer is made, being the date of despatch of the Listco Offer Document.

Acceptances of the Listco Option Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

### **Hong Kong stamp duty**

Seller's Hong Kong ad valorem stamp duty on acceptances of the Listco Share Offer at a rate of 0.1% of the consideration payable in respect of the relevant acceptance by the Shareholders or if higher, the market value of the Shares, will be deducted from the amount payable by the Offeror to Shareholders who accept the Listco Share Offer. The Offeror will arrange for payment of the seller's Hong Kong ad valorem stamp duty on behalf of the relevant Shareholders accepting the Listco Share Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Listco Share Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No stamp duty is payable in Hong Kong in connection with the acceptances of the Listco Option Offer.

**Singapore stamp duty**

Stamp duty and transfer fees (if any) resulting from acceptances of the Listco Share Offer by the Shareholders other than the Offeror and parties acting in concert with it whose Shares are traded on the SGX-ST will be paid by the Offeror.

No stamp duty is payable in Singapore in connection with the acceptances of the Listco Option Offer.

**Payment**

Payment in cash in respect of acceptances of the Listco Offers will be made as soon as possible but in any event within seven business days (as defined in the Takeovers Code) of the date on which the duly completed acceptances of the Listco Offers and the relevant documents of title in respect of such acceptances are received by the branch share registrar and transfer office of the Company in Hong Kong, the share transfer agent of the Company in Singapore, or the CDP (as the case may be) in case of the Listco Share Offer or the company secretary of the Company in case of the Listco Option Offer to render each such acceptance complete and valid.

**Taxation advice**

Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Listco Offers. None of the Offeror, parties acting in concert with the Offeror, the Company, Deloitte Corporate Finance, and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Listco Offers accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Listco Offers.

**Dealing and interests in the Company's securities**

The Offeror, YEIG and parties acting in concert with any of them have not dealt in the shares, convertible securities, warrants, options or derivatives of the Company during the six-month period preceding the date of the MOU Announcement and the period up to and including the date of the Joint Announcement save for the MOU and the Sale and Purchase Agreements to which the Offeror is a party.

**Overseas Shareholders and Overseas Optionholders**

The availability of the Listco Offers to any Overseas Shareholders and Overseas Optionholders may be affected by applicable laws and regulations outside Hong Kong and Singapore. The Overseas Shareholders and the Overseas Optionholders should observe any applicable legal or regulatory requirements in such jurisdictions and, where necessary, seek legal advice. It is the responsibility of the Overseas Shareholders and the Overseas Optionholders who wish to accept the Listco Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Listco Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any

transfer or other taxes due by such Overseas Shareholders and Overseas Optionholders in respect of such jurisdictions).

Any acceptance by any Overseas Shareholders or Overseas Optionholders will be deemed to constitute a representation and warranty from them to the Offeror that the applicable laws and requirements have been complied with. Overseas Shareholders and Overseas Optionholders should consult their professional advisers if in doubt.

**Other arrangements**

The Offeror confirms that as at the date of the Joint Announcement:

- (i) the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them have not received any irrevocable commitment to accept the Listco Offers;
- (ii) save as disclosed in the section headed “D. Possible Connected Transaction In Relation To The Issue Of Convertible Bonds Under The Specific Mandate By The Company To The Offeror”, there is no outstanding derivative in respect of securities in the Company which has been entered into by the Offeror, its ultimate beneficial owner and/or any person acting in concert with any of them;
- (iii) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Company and which may be material to the Listco Offers (as referred to in Note 8 to Rule 22 of the Takeovers Code);
- (iv) save as disclosed in the section headed “A. Sale And Purchase Agreements” and “D. Possible Connected Transaction In Relation To The Issue Of Convertible Bonds Under The Specific Mandate By The Company To The Offeror”, none of the Offeror, its ultimate beneficial owner and/or the parties acting in concert with any of them owns or has control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;
- (v) there is no agreement or arrangement to which the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a precondition or a condition to the Listco Offers; and
- (vi) there is no relevant security (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror, its ultimate beneficial owner and/or any person acting in concert with any of them has borrowed or lent.

**Shareholders and Optionholders are reminded to read the recommendations of the Independent Board Committee and the advice of the Independent Financial Adviser in respect of the Listco Offers that will be included in the Listco Offer Document before deciding whether or not to accept the Listco Offers.**

**Future intentions of the Offeror in relation to the Company**

The Remaining Group is engaged in the distribution of analytical instruments, life science equipment and laboratory instruments as well as providing related after-sale services in the PRC, the application of which covers various sectors and/or institutions including power generation, chemical production and healthcare. The YEIG Group is a prominent player in the energy sector in Yunnan Province in the PRC and has diversified into energy technology, salt chemical production, bio-pharmaceutical and healthcare related businesses. Given the close correlation between certain business segments of the Remaining Group and those of the YEIG Group, the Offeror expects that there should be synergies among the relevant businesses after the close of the Listco Offers.

Following the close of the Listco Offers, the Offeror intends that the Remaining Group will continue and expand the Remaining Business. However, it is currently expected that during the period from six to 12 months following the close of the Listco Offers, the Offeror will conduct a detailed review of the business activities, operations and assets of the Remaining Group in order to formulate business plans and strategies for the future business development of the Remaining Group and to achieve commercially feasible and sustainable growth of the Remaining Group, including but not limited to, if deemed appropriate by the board of the Remaining Group, diversifying its income stream by way of acquisition(s), should appropriate opportunities arise.

After the completion of such review, the Offeror expects that synergies will be created between the businesses of YEIG Group and that of the Remaining Group. For instance, the Remaining Group may leverage on the YEIG Group's resources to (i) enhance its market coverage in the PRC, (ii) expand its product offerings and (iii) strengthen its financial resources for business growth.

(i) Enhancing market coverage in the PRC

As a prominent player in the energy sector in Yunnan Province of the PRC, the YEIG Group has extensive business operations across the region. The Remaining Group may leverage on such operational experience and established network to grow its customer base in the power supply and energy sectors.

Considering that the YEIG Group is also engaged in, among other things, the production and sale of salt and salt-related chemical products, it is expected that the Remaining Group will be able to provide relevant products and services to cater for the needs for research, development and production of salt and related chemicals.

Furthermore, with an aim to develop its operational footprint in the healthcare business, the YEIG Group has commenced preparation of certain projects with various business partners that possess the relevant experience and expertise, including hospitals, higher education institutions, research centres and medical laboratories. As such, the Offeror plans to leverage on its potential projects in the pipeline and its established vast network in the healthcare sector in the PRC to cultivate the growth of the Remaining Group's business.



It is currently expected that within 12 to 24 months following the close of the Listco Offers, the Remaining Group will be able to tap into the operational experience and established networks of the YEIG Group to grow its customer base in, among others, the power supply and energy, salt chemical production and healthcare sectors.

Moreover, the Remaining Group has cultivated sales channels and distribution capabilities across the PRC over the years and has historically not focused on the Southwest region of the PRC. Upon the close of the Listco Offers, the Remaining Group will be in a position to expand its business activities in the Southwest region of the PRC by leveraging on YEIG Group's resources, including an extensive network in the energy industry.

(ii) Expanding product offerings

This is also the Offeror's current intention to optimise the product portfolio of the Remaining Group within 18 to 36 months following the close of the Listco Offers to include value-added products auxiliary to the existing products such as reagent kits for various analytical instruments and development of dedicated software, application protocols and customisation for the end users in different industries, in which the Remaining Group does not currently possess relevant resources and experience, with reference to industries in which the YEIG Group is operating in.

(iii) Strengthening financial resources for business growth

Further, given the strong financial position of the YEIG Group, it is expected that the Remaining Group will be able to access sufficient financial resources in order to accelerate organic growth as well as capture any suitable market opportunities when funding is required.

The Offeror has no intention to discontinue the employment of the employees (save for the change in the composition of the Board as disclosed below) or to dispose of or re-deploy the assets of the Remaining Group other than those in its ordinary course of business.

**Proposed change of Board composition**

The Board is currently made up of six Directors, comprising three executive Directors, being Mr. Lo, Mr. Chan and Mr. Christopher James O' Connor, and three independent non-executive Directors, being Mr. Ho Yew Yuen, Mr. Seah Kok Khong, Manfred and Mr. Teng Cheong Kwee.

Pursuant to the terms of the SPA I, the Vendors shall cause all existing Directors to give notice to resign as Directors with effect from the earliest time as permitted under the Takeovers Code. The Offeror intends to nominate new Directors to the Board at the earliest time as allowed under the Takeovers Code.

Any changes to the Board composition and new appointment of Directors will be made in compliance with the Takeovers Code, the Listing Rules and the Listing Manual.

**Maintaining the listing status of the Company**

The Offeror intends to maintain the listing of the Shares on the Main Board of the Hong Kong Stock Exchange and the Main Board of the SGX-ST after the close of the Listco Offers.

In the event that after the completion of the Listco Offers, the public float of the Company falls below 25%, the sole director of the Offeror and the new directors to be appointed to the Board will jointly and severally undertake to the Hong Kong Stock Exchange that they will take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible following the close of the Listco Offers to ensure that sufficient public float exists for the Shares.

The Hong Kong Stock Exchange has stated that if, upon closing of the Listco Offers, less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares are held by the public or if the Hong Kong Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until a level of sufficient public float is attained. In such event, trading in the Shares on the SGX-ST may also be suspended.

**C. COMPARISON OF THE COMBINED OFFER PRICE WITH MARKET PRICES OF THE SHARES  
AND NET ASSET VALUE PER SHARE**

The combined consideration under the Listco Share Offer and the Privateco Offer is equivalent to HK\$4.107 per Share, which represents:

- (i) a premium of approximately 66.95% over the closing price of HK\$2.46 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 79.34% over the average closing price of the Shares as quoted on the Hong Kong Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of HK\$2.29 per Share;
- (iii) a premium of approximately 80.93% over the average closing price of the Shares as quoted on the Hong Kong Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$2.27 per Share;
- (iv) a premium of approximately 73.29% over the average closing price of the Shares as quoted on the Hong Kong Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$2.37 per Share;
- (v) a premium of approximately 86.68% over the average closing price of the Shares as quoted on the Hong Kong Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of approximately HK\$2.20 per Share; and

- (vi) a premium of approximately 74.03% over the audited consolidated net asset attributable to the owners of the Company of approximately HK\$2.36 per Share as at 31 December 2017 (calculated based on the audited consolidated equity attributable to the Shareholders of approximately US\$83.35 million as at 31 December 2017 (approximately HK\$650.13 million as at 31 December 2017 as disclosed in the Company's 2017 annual report) and 275,437,000 Shares in issue as at 31 December 2017).

**1. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP**

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2015, 2016 and 2017 are disclosed in the following documents which have been published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>), the SGX-ST ([www.sgx.com](http://www.sgx.com)) and the Company ([www.techcomp.com.hk](http://www.techcomp.com.hk)).

- annual report of the Company for the year ended 31 December 2015 published on 29 March 2016 (pages 37 to 99);
- annual report of the Company for the year ended 31 December 2016 published on 13 April 2017 (pages 47 to 107); and
- annual report of the Company for the year ended 31 December 2017 published on 17 April 2018 (pages 47 to 105).

**2. INDEBTEDNESS STATEMENT**

At the close of business on 30 April 2018, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group in aggregate had outstanding bank borrowings and bank overdrafts amounting to approximately USD39,775,000 and USD1,206,000, respectively which comprised:

	<i>USD'000</i>
a) Bank borrowings – unsecured and guaranteed	22,885
b) Bank borrowings – secured and guaranteed	5,710
c) Bank borrowings – secured and unguaranteed	2,633
d) Loans related to trade bills discounted with recourse – secured and guaranteed	8,547
e) Bank overdrafts – unsecured and guaranteed	1,064
f) Bank overdrafts – unsecured and unguaranteed	142

The Group's secured bank borrowings of approximately USD5,308,000 were secured by inventories of the Group, USD3,035,000 were secured by leasehold land and buildings of the Group and USD8,547,000 were secured by trade bills discounted with recourse of the Group. The Group does not have any material contingent liabilities at 30 April 2018.

Save as aforesaid or as otherwise mentioned herein and apart from intra-group liabilities and normal trade payables and bills payables in the ordinary course of business, the Group did not have any outstanding charges, debentures, loan capital, debt securities issued and outstanding or authorised or otherwise created but unissued, bank borrowings and overdrafts or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances (other than normal trade bills) or acceptance credits or other material contingent liabilities as at 30 April 2018.

**3. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the Remaining Business Group's business prospects, internal resources and facilities available to the Remaining Group, completion of the Group Reorganisation and the Distribution In Specie, the Remaining Group will have sufficient working capital for its current requirements for at least twelve months from the date of this circular.

**4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirm that, there was no material adverse change in the financial or trading position or outlook of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**5. RECONCILIATION STATEMENT**

The table below sets for the reconciliation between the net book value of the Company's properties as at 31 December 2017 and the appraised value of the Company's properties as at 30 April 2018 as detailed in the property valuation report prepared and issued by an independent professional valuer included as Appendix VII in this circular:

	<i>US\$'000</i>
<b>Net book value of the properties as at 31 December 2017</b>	6,865
<b>Movement during the period from 1 January to 30 April 2018</b>	
<b>(unaudited)</b>	
Less: Net exchange realignment	(54)
Add: Additions	–
Less: Disposal	–
Less: Depreciation	(117)
	<hr/>
<b>Net book value of the properties as at 30 April 2018 (unaudited)</b>	6,694
Net valuation surplus, before tax effect	16,356
	<hr/>
<b>Appraised value of the properties as at 30 April 2018, as set forth in Appendix VII</b>	<hr/> <b>23,050</b> <hr/>

Please refer to "Appendix VII – Property Valuation" in this circular for further details of the Company's property interests.

*The following is the text of a report set out on pages III-1 to III-50, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*

**Deloitte.****德勤****ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE SOLE DIRECTOR OF TECHCOMP INSTRUMENT LIMITED****Introduction**

We report on the historical financial information of Techcomp Instrument Limited (the "Privateco") and its subsidiaries upon completion of the group reorganisation (together, the "Privateco Group") set out on pages III-4 to III-50, which comprises the combined statements of financial position as at 31 December 2015, 31 December 2016 and 31 December 2017, statements of financial position of the Privateco as at 31 December 2015, 31 December 2016 and 31 December 2017 and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the three years ended 31 December 2017 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages III-4 to III-50 forms an integral part of this report, which has been prepared for inclusion in the circular of Techcomp (Holdings) Limited (the "Company") dated 29 June 2018 (the "Circular") in connection with, amongst others, the proposed group reorganisation and distribution in specie of the Privateco's shares.

**The sole director's responsibility for the Historical Financial Information**

The sole director of the Privateco is responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the sole director of the Privateco determines is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standards on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial

Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of the Privateco, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Privateco's and the Privateco Group's financial position as at 31 December 2015, 31 December 2016 and 31 December 2017 and of the Privateco Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding up and Miscellaneous Provisions) Ordinance*****Adjustments***

The Historical Financial Information is stated after making such adjustments to the Historical Financial Statements as defined on page III-3 as were considered necessary.

***Dividends***

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Privateco in respect of the Track Record Period.

**Deloitte Touche Tohmatsu**

Certified Public Accountants  
Hong Kong

29 June 2018

**HISTORICAL FINANCIAL INFORMATION OF THE PRIVATECO GROUP****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on (i) previously issued financial statements of Bibby Scientific (Asia) Limited ("Bibby Asia"), Cheetah Scientific Limited ("Cheetah Scientific"), Dynamic (Asia) Limited ("Dynamic (Asia)"), Glory Union Investments Limited ("Glory Union"), Graceful Sky Investments Limited ("Graceful Sky"), Silver Grand Holdings Limited ("Silver Grand"), Sunny Time Investments Limited ("Sunny Time") and Techcomp Limited ("Techcomp (HK)") for the years ended 31 December 2015 and 2016, (ii) management accounts of Bibby Asia, Cheetah Scientific, Dynamic (Asia), Glory Union, Graceful Sky, Silver Grand, Sunny Time and Techcomp (HK) for the year ended 31 December 2017, (iii) previously issued financial statements of Techcomp Jingke Trading (Shanghai) Co., Ltd. ("Jingke Trading"), Shanghai Sanco Instrument Co., Ltd. ("Shanghai Sanco"), Shanghai Techcomp Bio-equipment Limited ("Shanghai Techcomp Bio-equipment,") Shanghai Techcomp Instrument Limited ("Shanghai Techcomp Instrument") and Techcomp Precision Balances (Shanghai) Co., Ltd. ("Techcomp Precision Balances") for the years ended 31 December 2015, 2016 and 2017, and (iv) management accounts of the Privateco and all other subsidiaries for the years ended 31 December 2015, 2016 and 2017. The previously issued financial statements were audited by the independent auditors as set out in Note 18 to the Historical Financial Information ("Historical Financial Statements").

The Historical Financial Information is presented in United States dollars ("US\$") and all values are rounded to the nearest thousand (US\$'000) except when otherwise indicated.



## COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2015	2016	2017
	Notes	US\$'000	US\$'000	US\$'000
Revenue	6	76,080	72,904	81,638
Cost of sales		(47,933)	(47,169)	(52,401)
Gross profit		28,147	25,735	29,237
Other income, gains and losses	7	1,308	703	1,359
Selling and distribution expenses		(7,777)	(9,589)	(8,335)
Administrative expenses		(22,136)	(23,164)	(21,847)
Research and development costs		(2,541)	(5,818)	(3,208)
Finance costs	8	(1,185)	(1,020)	(803)
Loss before taxation	9	(4,184)	(13,153)	(3,597)
Taxation	11	185	21	(28)
Loss for the year		(3,999)	(13,132)	(3,625)
Other comprehensive (expense) income				
Item that will not be reclassified to profit or loss:				
Recognition of actuarial (loss) gain on defined benefit plan		(32)	63	(723)
Item that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations		(30)	66	1,568
Other comprehensive (expense) income for the year		(62)	129	845
Total comprehensive expense for the year		(4,061)	(13,003)	(2,780)
Loss for the year attributable to:				
Owners of the Privateco		(3,761)	(12,733)	(3,276)
Non-controlling interests		(238)	(399)	(349)
		(3,999)	(13,132)	(3,625)
Total comprehensive expense for the year attributable to:				
Owners of the Privateco		(3,818)	(12,595)	(2,438)
Non-controlling interests		(243)	(408)	(342)
		(4,061)	(13,003)	(2,780)

## COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2015	2016	2017
	Notes	US\$'000	US\$'000	US\$'000
Non-current assets				
Property, plant and equipment	14	10,115	9,317	9,894
Goodwill	15	2,881	2,471	1,347
Other intangible assets	16	4,443	4,186	4,362
Deposits paid for acquisition of property, plant and equipment		679	804	910
Other assets	17	534	534	534
Deferred tax assets	27	26	15	16
		<u>18,678</u>	<u>17,327</u>	<u>17,063</u>
Current assets				
Inventories	19	27,761	28,895	32,266
Trade and other receivables	20	21,639	22,385	23,292
Amounts due from fellow subsidiaries	21	2,054	1,542	1,892
Tax recoverable		290	140	364
Bank balances and cash	22	8,144	8,727	5,522
		<u>59,888</u>	<u>61,689</u>	<u>63,336</u>
Current liabilities				
Trade and other payables	23	11,648	14,752	12,404
Amount due to immediate holding company	21	2	2	66,520
Amounts due to fellow subsidiaries	21	51,221	63,859	10,782
Tax payable		–	65	58
Bank borrowings – due within one year	25	15,767	20,512	13,686
Bank overdrafts	22	5	8	1,836
		<u>78,643</u>	<u>99,198</u>	<u>105,286</u>
Net current liabilities		<u>(18,755)</u>	<u>(37,509)</u>	<u>(41,950)</u>
Total assets less current liabilities		<u>(77)</u>	<u>(20,182)</u>	<u>(24,887)</u>

		<b>As at 31 December</b>		
		<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Non-current liabilities				
Bank borrowings – due after one year	25	12,902	5,826	3,150
Retirement benefit plan	26	514	446	1,192
Deferred tax liabilities	27	237	141	146
		<u>13,653</u>	<u>6,413</u>	<u>4,488</u>
Net liabilities		<u>(13,730)</u>	<u>(26,595)</u>	<u>(29,375)</u>
Capital and reserves				
Share capital	28	1,411	1,549	1,549
Reserves		<u>(14,656)</u>	<u>(27,251)</u>	<u>(29,689)</u>
Equity attributable to owners of the Privateco		(13,245)	(25,702)	(28,140)
Non-controlling interests		<u>(485)</u>	<u>(893)</u>	<u>(1,235)</u>
Deficiencies in equity		<u>(13,730)</u>	<u>(26,595)</u>	<u>(29,375)</u>

## STATEMENTS OF FINANCIAL POSITION OF THE PRIVATECO

		As at 31 December		
		2015	2016	2017
	Notes	US\$'000	US\$'000	US\$'000
Non-current assets				
Investment in subsidiaries	18	2,605	2,605	2,605
Current assets				
Amounts due from subsidiaries	21	187	187	64,681
Amounts due from fellow subsidiaries	21	–	–	9,027
Bank balances and cash		3	3	3
		190	190	73,711
Current liabilities				
Amount due to immediate holding company	21	–	–	66,520
Amount due to a subsidiary	21	1	1	6,193
Amounts due to fellow subsidiaries	21	2,382	2,385	1,282
		2,383	2,386	73,995
Net current liabilities		(2,193)	(2,196)	(284)
Net assets		412	409	2,321
Capital and reserves				
Share capital	28	50	50	50
Reserves	29	362	359	2,271
Total equity		412	409	2,321

## COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Privateco									Non-		
	Share capital	Share premium	Contributed surplus	Translation reserve	Legal reserves	Capital reserve	Equity reserve	Other reserve	Accumulated losses	Sub-total	controlling interests	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000 (Note a)	US\$'000 (Note b)	US\$'000 (Note c)	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2015	1,411	283	550	3,168	421	2,989	(2,458)	114	(15,905)	(9,427)	(242)	(9,669)
Loss for the year	-	-	-	-	-	-	-	-	(3,761)	(3,761)	(238)	(3,999)
Other comprehensive expense for the year	-	-	-	(25)	-	-	-	-	(32)	(57)	(5)	(62)
Total comprehensive expense for the year	-	-	-	(25)	-	-	-	-	(3,793)	(3,818)	(243)	(4,061)
At 31 December 2015	1,411	283	550	3,143	421	2,989	(2,458)	114	(19,698)	(13,245)	(485)	(13,730)
Loss for the year	-	-	-	-	-	-	-	-	(12,733)	(12,733)	(399)	(13,132)
Other comprehensive income (expense) for the year	-	-	-	75	-	-	-	-	63	138	(9)	129
Total comprehensive income (expense) for the year	-	-	-	75	-	-	-	-	(12,670)	(12,595)	(408)	(13,003)
Issue of shares	138	-	-	-	-	-	-	-	-	138	-	138
At 31 December 2016	1,549	283	550	3,218	421	2,989	(2,458)	114	(32,368)	(25,702)	(893)	(26,595)
Loss for the year	-	-	-	-	-	-	-	-	(3,276)	(3,276)	(349)	(3,625)
Other comprehensive income (expense) for the year	-	-	-	1,561	-	-	-	-	(723)	838	7	845
Total comprehensive income (expense) for the year	-	-	-	1,561	-	-	-	-	(3,999)	(2,438)	(342)	(2,780)
At 31 December 2017	1,549	283	550	4,779	421	2,989	(2,458)	114	(36,367)	(28,140)	(1,235)	(29,375)

## Notes:

- (a) Legal reserves are non-distributable and represent reserve fund and enterprise expansion fund of subsidiaries in the People's Republic of China ("PRC") that can be used to offset prior years' losses or convert into capital, provided such conversion is approved by a resolution at a shareholders' meeting.
- (b) Capital reserve represents a transfer of retained earnings by a PRC subsidiary in 2004.
- (c) Equity reserve represents effects of changes in ownership interests in subsidiaries when there is no change in control.

## COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Operating activities			
Loss before taxation	(4,184)	(13,153)	(3,597)
Adjustments for:			
Depreciation of property, plant and equipment	1,383	1,109	876
Amortisation of other intangible assets	855	1,424	1,578
Interest income	(14)	(24)	(3)
Interest expenses	1,185	1,020	803
(Reversal of) allowance for doubtful debts	(2)	327	487
Loss (gain) on disposal of property, plant and equipment	1	(4)	(51)
Impairment loss recognised in respect of goodwill	228	410	847
Write-off of other intangible assets	48	38	57
Allowance for inventories	–	547	116
Operating cash flows before movements in working capital	(500)	(8,306)	1,113
Increase in inventories	(191)	(3,281)	(2,920)
Increase in trade and other receivables	(14,768)	(7,789)	(6,000)
(Decrease) increase in trade and other payables	(2,347)	7,349	(3,326)
Cash used in operations	(17,806)	(12,027)	(11,133)
Income tax (paid) refunded	(177)	152	(241)
Net cash used in operating activities	(17,983)	(11,875)	(11,374)
Investing activities			
Payment of product development costs	(1,054)	(1,352)	(1,394)
Acquisition of property, plant and equipment	(833)	(1,535)	(1,060)
Deposits paid for acquisition of property, plant and equipment	–	(125)	(106)
Proceeds on disposal of property, plant and equipment	46	285	75
Repayment from (advance to) a fellow subsidiary	1,268	512	(350)
Interest received	14	24	3
Net cash used in investing activities	(559)	(2,191)	(2,832)

	Year ended 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Financing activities			
Advances from (repayments to) fellow subsidiaries	16,778	12,638	(53,077)
Bank borrowings raised	10,971	16,382	11,979
Proceeds from loans related to trade bills discounted with recourse	9,787	5,772	6,079
Advance from immediate holding company	–	–	66,518
Repayments of bank borrowings	(14,315)	(19,699)	(22,240)
Interest paid	(1,185)	(1,020)	(803)
Issue of shares	–	138	–
	<u>          </u>	<u>          </u>	<u>          </u>
Net cash from financing activities	22,036	14,211	8,456
	<u>          </u>	<u>          </u>	<u>          </u>
Net increase (decrease) in cash and cash equivalents	3,494	145	(5,750)
Cash and cash equivalents at beginning of the year	5,328	8,139	8,719
Effect of foreign exchange rate changes	(683)	435	717
	<u>          </u>	<u>          </u>	<u>          </u>
Cash and cash equivalents at end of the year	8,139	8,719	3,686
	<u>          </u>	<u>          </u>	<u>          </u>
Represented by:			
Bank balances and cash	8,144	8,727	5,522
Bank overdrafts	(5)	(8)	(1,836)
	<u>          </u>	<u>          </u>	<u>          </u>
	8,139	8,719	3,686
	<u>          </u>	<u>          </u>	<u>          </u>

**NOTES TO HISTORICAL FINANCIAL INFORMATION****1. GENERAL**

The Privateco was incorporated in the British Virgin Islands ("BVI") as an exempted company with limited liability on February 4, 2004.

The immediate holding company of the Privateco is Techcomp (Holdings) Limited which was incorporated in Bermuda as an exempted company with limited liability with its shares listed on the Main Board of the Stock Exchange of Hong Kong Limited ("SEHK") (primary listing), and the Main Board of Singapore Exchange Securities Trading Limited (secondary listing). Its ultimate controlling shareholder is Mr. Lo Yat Keung who is the chief executive of the Company. The addresses of the registered office and principal place of business of the Privateco are Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, BVI and 6/F, Mita Center, 552-566 Castle Peak Road, Kwai Chung, Kowloon, Hong Kong, respectively.

The Privateco acts as an investment holding company and its subsidiaries are principally engaged in manufacturing and trading of analytical instruments, life science equipment and laboratory instruments.

The Historical Financial Information is presented in United States Dollars ("US\$") which is also the functional currency of the Privateco.

**2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION**

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the principle of merger accounting in accordance with Accounting Guideline 5 Merger Accounting for common control combination (details are set out below).

Pursuant to the group reorganisation with details set out in the section headed "Proposed Group Reorganisation And Distribution In Specie Of The Privateco Shares" (the "Group Reorganisation") of the circular of the Company dated 29 June 2018 (the "Circular") in connection with the proposed group reorganisation and distribution in specie, the Company will transfer the 100% equity interests in Richwell Hightech Systems Inc. ("Richwell"), Regent Lite Pte. Ltd. ("Regent Lite"), Silver Grand, Glory Union, Graceful Sky, Sunny Time, Techcomp (Europe) Limited ("Techcomp Europe") to the Privateco, while Techcomp Scientific Limited, a wholly owned subsidiary of the Company, will transfer the 100% equity interests in Techcomp (HK), Techcomp (Singapore) Pte. Ltd. ("Techcomp Singapore"), Bibby Asia, Techcomp India Pvt Limited ("Techcomp India"), Dynamic Scientific Limited ("Dynamic Scientific") and Dynamic (Asia) to the Privateco. The shares of Privateco will then be distributed in specie to the shareholders of the Company. Upon completion of the distribution in specie, a company wholly owned by Mr. Lo Yat Keung will make an unconditional voluntary cash offer to the then shareholders of Privateco to acquire all the shares of Privateco. The distribution in specie is subject to the approval of the Company's shareholders in the special general meeting.

The Privateco Group resulting from the Group Reorganisation continued to be controlled by the Company and is regarded as a continuing entity. Accordingly, the combined statements of profit or loss and other comprehensive income and combined statements of cash flows for the Track Record Period have been prepared to include the results and cash flows of the companies now comprising the Privateco Group as if the group structure upon the completion of the Group Reorganisation had been in existence throughout the Track Record Period. The combined statements of financial position of the Privateco Group as at 31 December 2015, 31 December 2016 and 31 December 2017 have been prepared to present the assets and liabilities of the companies now comprising the Privateco Group as if the current group structure had been in existence at those dates.

In preparing the Historical Financial Information, the sole director of the Privateco has given careful consideration to the future liquidity of the Privateco and its subsidiaries upon completion of the Group Reorganisation (together, the "Privateco Group") in light of the fact that its current liabilities exceeded its current assets by US\$18,755,000, US\$37,509,000 and US\$41,950,000 as at 31 December 2015, 31 December 2016 and 31 December 2017, respectively, and its total liabilities exceeded its total assets by US\$13,730,000, US\$26,595,000 and US\$29,375,000 as at 31 December 2015, 31 December 2016 and 31 December 2017, respectively and the Privateco Group incurred recurring losses of US\$3,999,000, US\$13,132,000 and US\$3,625,000 for the year ended 31 December 2015, 31 December 2016 and 31 December 2017, respectively. Taking into account that the Company has agreed to provide financial support to the Privateco Group prior to the distribution in specie and for the purpose of the Group Reorganisation, the Privateco will allot and issue one share to the Company in consideration of the capitalisation of the net amount due from the Privateco Group and the Company and its subsidiaries upon completion of the group reorganisation (the "Remaining Group"). Taken into account of the capitalisation of the net amount due from/due to the Remaining Group, the Privateco Group have net current assets and net assets position upon the completion of the distribution in specie and accordingly, the Historical Financial Information has been prepared on a going concern basis.



### 3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Privateco Group has consistently adopted IFRSs issued by the IASB that are effective for the accounting period beginning on 1 January 2017 throughout the Track Record Period.

The Privateco Group has not early applied the following new and amendments to IFRSs and interpretations that have been issued but are not yet effective:

IFRS 9	Financial Instruments <sup>1</sup>
IFRS 15	Revenue from Contracts with Customers and the related Amendments <sup>1</sup>
IFRS 16	Leases <sup>2</sup>
IFRS 17	Insurance Contracts <sup>4</sup>
IFRIC 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
IFRIC 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 – 2017 Cycle <sup>2</sup>
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to IFRS 4	Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" <sup>1</sup>
Amendments to IFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement <sup>2</sup>
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014 – 2016 Cycle <sup>1</sup>
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to IAS 40	Transfers of Investment Property <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021.

#### IFRS 9 "Financial Instruments"

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Privateco Group are:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39 "Financial Instruments: Recognition and Measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Privateco Group's financial instruments and risk management policies as at 31 December 2017, the sole director of the Privateco anticipates the following potential impact on initial application of IFRS 9:

***Classification and measurement:***

Unquoted equity shares classified as available-for-sale investments carried at cost less impairment as disclosed in note 17: these unquoted equity shares qualified for designation as measured at FVTOCI under IFRS 9 and the Privateco Group will designate these securities at FVTOCI at 1 January 2018 and measure these shares at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investments revaluation reserve and the investments are not subject to impairment. Upon initial application of IFRS 9, any fair value gain relating to these unquoted equity shares would be adjusted to investments revaluation reserve as at 1 January 2018.

Except for financial assets which are subject to the credit loss model upon application of IFRS 9, all other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under IAS 39.

***Impairment:***

In general, the sole director of the Privateco anticipates that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Privateco Group's financial assets measured at amortised costs that subject to the impairment provisions upon application of IFRS 9 by the Privateco Group.

Based on the assessment by the sole director of the Privateco, if the expected credit loss model was to be applied by the Privateco Group, the accumulated amount of impairment loss to be recognised by Privateco Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under IAS 39 mainly attributable to expected credit losses provision on trade and other receivables. Such further impairment recognised under expected credit loss model would increase the opening accumulated losses.

**IFRS 15 "Revenue from Contracts with Customers"**

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The sole director of the Privateco has assessed that the transportation services represent separate performance obligations from the sale of analytical instruments, life science equipment and laboratory instruments and accordingly, revenue will be recognised for this performance obligation when control over the corresponding service is transferred to the customers. The timing of revenue recognition of each of these performance obligations (at a point of time for sale of goods when the goods are delivered to the customers and when provision for the relevant services are completed) are expected to be consistent with current practice. IFRS 15 requires the transaction price to be allocated to the different performance obligations on a relative stand-alone selling price basis and the allocation of revenue among the above separate performance obligations may be different compared to that under the current practice.

In addition, the sole director of the Privateco anticipates that the application of IFRS 15 in the future may result in more disclosures.

**IFRS 16 "Leases"**

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases" and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Privateco Group currently presents operating lease payments as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Privateco Group.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Privateco Group has non-cancellable operating lease commitments of US\$2,079,000 as disclosed in note 30. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Privateco Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases. In addition, the Privateco Group currently considers refundable rental deposits paid of US\$28,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost, such adjustments are considered as additional lease payments and would be included in the initial measurement of right-of use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

The sole director of the Privateco anticipates that the application of the other new and amendments to IFRSs and interpretations will have no material impact on the combined financial statements in the foreseeable future.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The Historical Financial Information has been prepared in accordance with IFRSs issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on SEHK and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Privateco Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment", leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

The principal accounting policies are set out below.

**Basis of combination**

The Historical Financial Information incorporates the financial statements of the Privateco and entities controlled by the Privateco (its subsidiaries). Control is achieved when the Privateco:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Privateco Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins when the Privateco Group obtains control over the subsidiary and ceases when the Privateco Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the combined statements of profit or loss and other comprehensive income from the date the Privateco Group gains control until the date when the Privateco Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Privateco and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Privateco and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Privateco Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Privateco Group are eliminated in full on combination.

**Business combination**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Privateco Group, liabilities incurred by the Privateco Group to the former owners of the acquiree and the equity interests issued by the Privateco Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits", respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Privateco Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

**Merger accounting for business combination involving businesses under common control**

The Historical Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

**Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Privateco Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or groups of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within group of cash-generating units in which the Privateco Group monitors goodwill).

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Privateco Group and when specific criteria have been met for each of the Privateco Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Service income is recognised when services are provided.

Interest income is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Property, plant and equipment**

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**Intangible assets*****Internally-generated intangible assets – research and development expenditure***

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

***Intangible assets acquired in a business combination***

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair values at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

***Intangible assets acquired separately***

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

***Other intangible assets***

Technical know-how is measured initially at purchase cost and amortised on a straight-line basis over the estimated useful life, which normally does not exceed five years.

***Derecognition***

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

***Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)***

At the end of the reporting period, the Privateco Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an asset individually, the Privateco Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately to profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately to profit or loss.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

#### **Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

##### ***Financial assets***

Financial assets are classified into loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

##### ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

##### ***Available-for-sale financial assets***

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from group companies and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

*Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is an objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contracts, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Privateco Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.



***Financial liabilities and equity instruments***

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

***Financial liabilities at amortised cost***

Financial liabilities, including trade and other payables, amounts due to group companies, bank borrowings and bank overdrafts are subsequently measured at amortised cost, using the effective interest method.

***Derecognition***

The Privateco Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Privateco Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Privateco Group recognise its retained interest in the asset and an associated liability for amounts it may have to pay. If the Privateco Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Privateco Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Privateco Group derecognises financial liabilities when, and only when, the Privateco Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

***Leasing***

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risk and awards of ownership to the lease. All other leases are classified as operating leases.

***The Privateco Group as lessee***

Operating leases payments are recognised as an expense on a straight-line basis over the lease term.

**Leasehold land and building**

When the Privateco Group makes payments for a property interest which includes both leasehold land and building elements, the Privateco Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Privateco Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the combined statements of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Government grants**

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Privateco Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

**Retirement benefit costs**

Payments to defined contribution retirement benefit plans, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the combined statements of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlement);
- net interest expense or income; and
- remeasurement.

The Privateco Group presents the first two components of defined benefit costs in profit or loss. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the combined statements of financial position represents the actual deficit or surplus in the Privateco Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (for example contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability (asset).
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost in the period in which the related service is rendered.

#### **Short-term employee benefits**

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

#### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the combined statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or tax deductible. The Privateco Group's liability for current tax is calculated using tax rates and tax laws that have been enacted or substantively by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Privateco Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Privateco Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for business combination.

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Privateco Group's foreign operations are translated into the presentation currency of the Privateco Group (i.e. US\$) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributable to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

**5. KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Privateco Group's accounting policies, which are described in note 4, the sole director of the Privateco is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

**Impairment assessment of trade receivables**

Appropriate allowances for estimated irrecoverable amounts of trade receivables are recognised in profit or loss when there is an objective evidence that the asset is impaired.

In determining whether allowance for doubtful debts is required, management takes into consideration the credit history, including default or delay in payments, settlement history and aging analysis of the trade receivables. Specific allowance is made for trade receivables that are unlikely to be collected. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, further allowance for doubtful debts is required. In this regard, the Privateco Group has recognised an accumulated allowance for doubtful debts amounting to US\$1,043,000, US\$1,273,000 and US\$1,658,000 as at 31 December 2015, 31 December 2016 and 31 December 2017, respectively. The carrying amount of trade receivables is disclosed in note 20.

**Net realisable value assessable of inventories**

In determining the net realisable value of the Privateco Group's inventories, management estimated the recoverable amount of inventories based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration the fluctuations in price, the balance on hand relative to sales prospects and the condition of the inventories. In this regard, the Privateco Group has recognised an allowance for inventories amounting to nil, US\$547,000 and US\$116,000 for the year ended 31 December 2015, 31 December 2016 and 31 December 2017, respectively. The carrying amount of inventories is disclosed in note 19.

**Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash generating units to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Privateco Group to estimate future cash flows expected to arise from the cash-generating unit and suitable discount rates, growth rates and expected changes to selling prices and direct costs in order to calculate the present value. Where the actual future cash flows are less than expected, or changes in facts and circumstances which results in downward revision of future cash, a material impairment loss may arise. During the year ended 31 December 2015, 31 December 2016 and 31 December 2017, an impairment loss of US\$228,000, US\$410,000 and US\$847,000 is recognised, respectively and the carrying amount of goodwill and information relating to the estimates used in assessing impairment of goodwill is disclosed in note 15.

**6. REVENUE AND SEGMENT INFORMATION****Revenue**

	Year ended 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Sale of analytical instruments, life science equipment and laboratory instruments	76,080	72,904	81,638

**Operating segments**

The Privateco Group's operation was regarded as a single segment, being an enterprise engaged in design and manufacture and sales of analytical and laboratory instruments and life science equipment. The sole director of the Privateco, being the chief operating decision maker ("CODM"), reviews the revenue and the loss for the year of the Privateco Group as a whole for performance assessment and resource allocation. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM. Therefore, the operation of the Privateco Group constitutes one single reportable segment.

**Geographical information**

The Privateco Group operates principally in the PRC (including Hong Kong and Macau) (country of domicile). Asia (other than the PRC) and Europe.

The Privateco Group's revenue from external customers, based on location of customers, is detailed below:

	Year ended 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
PRC (including Hong Kong and Macau)	28,108	25,638	25,643
Asia (other than the PRC)	1,323	1,611	1,528
Europe	29,480	37,460	44,764
Others <sup>(1)</sup>	17,169	8,195	9,703
	76,080	72,904	81,638

<sup>(1)</sup> The geographic segment classified as "Others" includes the United States of America, Africa and Australia.

The Privateco Group's information about its non-current assets (excluding other assets and deferred tax assets) by geographical location, based on location of assets, is detailed below:

	Year ended 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
PRC (including Hong Kong and Macau)	8,821	7,083	6,182
Europe	7,840	8,501	9,358
United States of America	1,438	1,179	960
Others <sup>(2)</sup>	19	15	13
	<u>18,118</u>	<u>16,778</u>	<u>16,513</u>

<sup>(2)</sup> The geographic segment classified as "Others" includes Singapore and India.

#### Information about major customers

There is no single external customer contributing over 10% of the total revenue of the Privateco Group during the Track Record Period.

### 7. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Foreign exchange gain, net	131	106	773
Freight service income	50	28	122
(Loss) gain on disposal of property, plant and equipment	(1)	4	51
Impairment loss recognised in respect of goodwill	(228)	(410)	(847)
Interest income on bank deposits	14	24	3
Commission income from a fellow subsidiary	666	522	783
Subsidy from government ( <i>Note</i> )	148	86	120
Sundry income	528	343	354
	<u>1,308</u>	<u>703</u>	<u>1,359</u>

*Note:* There were no specific conditions attached to the subsidiary, and the Privateco Group recognised the grants upon receipts.

### 8. FINANCE COSTS

	Year ended 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Interest on bank borrowings and overdrafts	1,056	878	618
Interest on amount due to a fellow subsidiary	129	142	185
	<u>1,185</u>	<u>1,020</u>	<u>803</u>

**9. LOSS BEFORE TAXATION**

	Year ended 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Loss before taxation has been arrived at after charging (crediting):			
Sole director's remuneration ( <i>note 10</i> )	207	231	234
Other staff costs	13,355	15,214	13,038
Contributions to retirement benefit schemes for other staff	1,286	1,815	1,704
Total staff costs	14,848	17,260	14,976
(Reversal of) allowance for doubtful debts	(2)	327	487
Auditor's remuneration	305	305	305
Amortisation of other intangible assets	855	1,424	1,578
Cost of inventories recognised as an expense	47,933	47,169	52,401
Depreciation of property, plant and equipment	1,383	1,109	876
Allowance for inventories	–	547	116
Write-off of other intangible assets	48	38	57

**10. SOLE DIRECTOR'S AND EMPLOYEES' EMOLUMENTS****Sole director's remuneration**

The emoluments of the sole director of the Privateco, Mr. Lo Yat Keung, during the Track Record Period are analysed as follows:

	Year ended 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Fees	–	–	–
Other emoluments			
– Basic salaries and allowances	179	188	196
– Bonus	26	41	36
– Contributions to retirement benefit schemes	2	2	2
Total sole director's emoluments	207	231	234

Mr. Lo Yat Keung is also the chief executive of the Privateco, and his emoluments disclosed above include those for services rendered by him as the chief executive.

The sole director's emoluments shown above were paid for his services in connection with the management of the affairs of the Privateco and the Privateco Group.

**Employees' emoluments**

The five highest paid individuals include 1, 1 and 1 director of the Privateco during the year ended 31 December 2015, 31 December 2016 and 31 December 2017, details of whose emoluments are disclosed above. The total emoluments of the remaining 4, 4, and 4 individuals during the year ended 31 December 2015, 31 December 2016 and 31 December 2017 are as follows:

	Year ended 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Basic salaries and allowances	733	694	717
Bonus	170	168	208
Contributions to retirement benefit schemes	55	62	72
	<u>958</u>	<u>924</u>	<u>997</u>

The emoluments of the 4, 4 and 4 highest paid employees above were within following bands:

	Number of individuals Year ended 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
HK\$1,000,001 to HK\$1,500,000 (equivalent to US\$128,205 to US\$192,308)	2	1	1
HK\$1,500,001 to HK\$2,000,000 (equivalent to US\$192,309 to US\$256,410)	1	2	2
HK\$2,000,001 to HK\$2,500,000 (equivalent to US\$256,411 to US\$320,513)	–	1	1
HK\$3,000,001 to HK\$3,500,000 (equivalent to US\$384,616 to US\$448,718)	1	–	–
	<u>4</u>	<u>4</u>	<u>4</u>

*Note:* The bonus is determined with reference to the operating results, individual performance and comparable market statistic during the Track Record Period.

No emoluments were paid by the Privateco Group to the sole director or the five highest paid individuals (including the sole director and employees) as an inducement to join or upon joining the Privateco Group or as compensation for loss of office during the Track Record Period. The sole director has not waived any emoluments during the Track Record Period.

## 11. TAXATION

	Year ended 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Current taxation			
PRC Enterprise Income Tax	(2)	(34)	–
Others	<u>189</u>	<u>(19)</u>	<u>(34)</u>
	187	(53)	(34)
Deferred taxation ( <i>note 27</i> )	<u>(2)</u>	<u>74</u>	<u>6</u>
	<u>185</u>	<u>21</u>	<u>(28)</u>

The income tax expense for the Privateco Group is calculated at the respective statutory tax rates prevailing in the relevant jurisdictions.

Hong Kong and Singapore income tax are calculated at 16.5% and 17% of the estimated assessable profits during the Track Record Period, respectively. No provision for Hong Kong Profits Tax and Singapore Corporate Income tax are made as the Privateco Group does not have any assessable assessment profits arising from Hong Kong and Singapore during the Track Record Period.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the Track Record Period.



According to a joint circular of the Ministry of Finance and State Administration of Taxation, Cai Shui 2011 No. 1, only the profits earned by foreign-investment enterprise prior to 1 January 2008, when distributed to foreign investors, can be grandfathered and exempted from withholding tax. Whereas, dividend distributed out of the profits generated thereafter, shall be subject to the EIT at 5% or 10% and withheld by the PRC entities, pursuant to Articles 3 and 27 of the New Law and Article 91 of its Detailed Implementation Rules.

The taxation for the year can be reconciled to the loss before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Loss before taxation	(4,184)	(13,153)	(3,597)
Tax credit at the applicable tax rate of 16.5%	(690)	(2,170)	(594)
Tax effect of expenses not deductible for tax purposes	82	120	114
Tax effect of income not taxable for tax purposes	(150)	(36)	(48)
Tax effect of tax losses not recognised	992	2,379	708
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	172	7	73
Utilisation of tax losses previously not recognised	(124)	(193)	(201)
Others	(97)	(86)	(80)
Taxation for the year	185	21	(28)

## 12. DIVIDENDS

No dividend was paid or declared by the Privateco Group during the Track Record Period.

## 13. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the Group Reorganisation and the results of the Privateco Group for the Track Record Period that is on a combined basis as set out in note 2.

## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Furniture and fixtures	Machinery and equipment	Motor vehicles	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>THE PRIVATECO GROUP</b>					
<b>COST</b>					
At 1 January 2015	11,042	2,199	4,460	1,028	18,729
Exchange realignment	(133)	(93)	(163)	(27)	(416)
Additions	74	205	537	17	833
Disposals	(7)	(6)	(61)	(212)	(286)
At 31 December 2015	10,976	2,305	4,773	806	18,860
Exchange realignment	(814)	(203)	(434)	(42)	(1,493)
Additions	686	249	557	43	1,535
Disposals	(128)	(191)	(63)	(148)	(530)
At 31 December 2016	10,720	2,160	4,833	659	18,372
Exchange realignment	629	156	336	36	1,157
Additions	328	346	378	8	1,060
Disposals	–	(85)	(298)	(10)	(393)
At 31 December 2017	11,677	2,577	5,249	693	20,196

	Leasehold land and buildings <i>US\$'000</i>	Furniture and fixtures <i>US\$'000</i>	Machinery and equipment <i>US\$'000</i>	Motor vehicles <i>US\$'000</i>	Total <i>US\$'000</i>
ACCUMULATED DEPRECIATION					
At 1 January 2015	3,033	1,302	2,954	678	7,967
Exchange realignment	(138)	(69)	(139)	(20)	(366)
Provided for the year	468	268	564	83	1,383
Eliminated on disposals	—	(5)	(43)	(191)	(239)
At 31 December 2015	3,363	1,496	3,336	550	8,745
Exchange realignment	(254)	(97)	(179)	(20)	(550)
Provided for the year	471	239	305	94	1,109
Eliminated on disposals	(32)	(35)	(51)	(131)	(249)
At 31 December 2016	3,548	1,603	3,411	493	9,055
Exchange realignment	274	107	326	27	734
Provided for the year	284	234	294	64	876
Eliminated on disposals	—	(81)	(277)	(5)	(363)
At 31 December 2017	4,106	1,863	3,754	579	10,302
CARRYING VALUES					
At 31 December 2015	7,613	809	1,437	256	10,115
At 31 December 2016	7,172	557	1,422	166	9,317
At 31 December 2017	7,571	714	1,495	114	9,894

At 31 December 2015, 31 December 2016 and 31 December 2017, the Privateco Group has pledged its leasehold land and buildings with an aggregate carrying value of US\$4,526,000, US\$4,356,000 and US\$4,363,000, respectively (note 25) to a bank to secure the banking facilities granted to the Privateco Group.

The above items of property, plant and equipment are depreciated after taking into account their estimated residual value, using straight line method, as the following rates per annum:

Leasehold land and buildings	2% to 4.5%, or over the shorter of term of lease
Furniture and fixtures	18% to 20%
Machinery and equipment	9% to 20%
Motor vehicles	18% to 20%

## 15. GOODWILL

*US\$'000*

### THE PRIVATECO GROUP

#### COST

At 1 January 2015, 31 December 2015 and 31 December 2016	4,310
Exchange realignment	(277)
At 31 December 2017	4,033

#### IMPAIRMENT LOSS

At 1 January 2015	1,201
Provided for the year	228
At 31 December 2015	1,429
Provided for the year	410

US\$'000

At 31 December 2016	1,839
Provided for the year	847
At 31 December 2017	2,686
CARRYING VALUES	
At 31 December 2015	2,881
At 31 December 2016	2,471
At 31 December 2017	1,347

Goodwill acquired in a business combination is allocated to cash-generating units ("CGUs") that are expected to benefit from that business combination. The management considers each subsidiary represents a separate CGU for the purpose of goodwill impairment testing. At the end of the reporting period, the carrying amount of goodwill mainly represents goodwill arising from the acquisition of subsidiaries which also constitutes separate CGUs individually as follows:

	As at 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Edinburgh Instruments Limited ("Edinburgh Instruments")	1,624	1,624	1,347
IXRF Systems Inc. ("IXRF")	419	419	–
Jingke Trading	428	428	–
Richwell	410	–	–
	2,881	2,471	1,347

The recoverable amounts of the CGU are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period that cash flow forecasts are made. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past experience and expectations of future changes in the market.

For the purpose of impairment testing, the Privateco Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next financial year and extrapolates cash flows for the following five years as follows:

	Edinburgh Instruments			IXRF			Jingke Trading			Richwell		
	31 December			31 December			31 December			31 December		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Discount rate	10%	10%	10%	10%	10%	10%	8%	8%	8%	8%	8%	N/A
Growth rate	5%	5%	5%	8% to 20%	7% to 30%	7% to 30%	4%	3%	3%	5%	3%	N/A

The Privateco Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. As it has taken longer than expected to grow the business of Richwell, IXRF and Jingke Trading, the cash flow projections and valuations assumptions were adjusted to reflect a softer near term outlook of these CGUs. Hence their recoverable amounts were determined to be lower than their carrying amounts of the assets allocated to these CGUs. During the year ended 31 December 2015, 31 December 2016 and 31 December 2017, the Group recognised an impairment loss of US\$228,000 in relation to goodwill arising from IXRF and Richwell, US\$410,000 in relation to goodwill arising from Richwell and US\$847,000 in relation to goodwill arising from IXRF and Jingke Trading, respectively. The recoverable amounts of Edinburgh Instruments were determined to be higher than the carrying amounts of the assets allocated to Edinburgh Instruments, accordingly no impairment loss was recognised.

At the end of the reporting period, any reasonably possible change to key assumptions applied is not likely to cause the recoverable amounts of Edinburgh Instruments to fall below the carrying amount of Edinburgh Instruments.

## 16. OTHER INTANGIBLE ASSETS

	Development costs US\$'000	Technical know-how US\$'000	Total US\$'000
<b>THE PRIVATECO GROUP</b>			
<b>COST</b>			
At 1 January 2015	12,425	1,887	14,312
Exchange realignment	(443)	–	(443)
Additions	1,054	–	1,054
Write-off	(181)	–	(181)
At 31 December 2015	12,855	1,887	14,742
Exchange realignment	(453)	–	(453)
Additions	1,352	–	1,352
Write-off	(192)	–	(192)
At 31 December 2016	13,562	1,887	15,449
Exchange realignment	849	–	849
Additions	1,394	–	1,394
Write-off	(284)	–	(284)
At 31 December 2017	15,521	1,887	17,408
<b>AMORTISATION</b>			
At 1 January 2015	9,741	74	9,815
Exchange realignment	(238)	–	(238)
Provided for the year	492	363	855
Eliminated on write-off	(133)	–	(133)
At 31 December 2015	9,862	437	10,299
Exchange realignment	(306)	–	(306)
Provided for the year	1,062	362	1,424
Eliminated on write-off	(154)	–	(154)
At 31 December 2016	10,464	799	11,263
Exchange realignment	432	–	432
Provided for the year	1,216	362	1,578
Eliminated on write-off	(227)	–	(227)
At 31 December 2017	11,885	1,161	13,046
<b>CARRYING VALUES</b>			
At 31 December 2015	2,993	1,450	4,443
At 31 December 2016	3,098	1,088	4,186
At 31 December 2017	3,636	726	4,362

Other intangible assets comprise development costs incurred for the manufacture of analytical instruments and payments made to acquire technical know-how. The development costs and technical know-how have finite useful lives and are amortised on a straight-line basis over their estimated useful lives of 5 years and 3.75 to 5 years, respectively.

## 17. OTHER ASSETS

	2015	As at 31 December 2016	2017
	US\$'000	US\$'000	US\$'000
<b>THE PRIVATECO GROUP</b>			
Available-for-sale financial assets – unquoted			
equity shares	40	40	40
Golf club membership	494	494	494
	<u>534</u>	<u>534</u>	<u>534</u>

The above unquoted investments represent investments in unquoted equity shares issued by a private entity incorporated in Germany that is engaged in manufacture and trading of high technology products.

Management is of the opinion that the fair value of these investments cannot be measured reliably because the range of reasonable fair value estimate is so significant, accordingly they are stated at cost less impairment at the end of the reporting period.

## 18. INVESTMENTS IN SUBSIDIARIES

	2015	As at 31 December 2016	2017
	US\$'000	US\$'000	US\$'000
<b>THE PRIVATECO</b>			
Unlisted investments, at cost	2,605	2,605	2,605

During the Track Record Period and as at the date of this report, the Privateco has direct and indirect shareholdings/equity interests in the following subsidiaries:

Name of subsidiary	Place of incorporation (or registration) and operation	Date of incorporation (or registration)	Issued and fully paid share capital/ registered capital	Shareholding/equity interest attributable to the Privateco			Date of this report	Principal activities	Notes
				31 December					
				2015	2016	2017			
				%	%	%	%		
Directly held									
Bibby Asia	Hong Kong	9 May 2008	Hong Kong Dollars ("HK\$") 100,000	100	100	100	100	Inactive	(b), (d)
Cheetah Scientific	Hong Kong	12 December 2009	HK\$10,000	100	100	100	100	Inactive	(b), (d)
Dynamica (Asia)	Hong Kong	10 February 2011	HK\$10,000	100	100	100	100	Trading of analytical and laboratory instruments	(b), (d)
Dynamica GmbH	Austria	25 February 2008	Euro ("EUR") 200,000	100	100	100	100	Trading of analytical and laboratory instruments	(a)
Dynamica Scientific	England & Wales	17 June 2010	British Pound ("GBP") 1	100	100	100	100	Trading of analytical and laboratory instruments	(i)
Glory Union	Hong Kong	10 December 2009	HK\$10,000	100	100	100	100	Investment holding	(b), (d)
Graceful Sky	Hong Kong	26 November 2009	HK\$10,000	100	100	100	100	Investment holding	(b), (d)
Regent Lite	Singapore	29 June 2009	Singaporean Dollars ("SGD") 1	100	100	100	100	Investment holding	(j)
Richwell	BVI	21 November 2002	US\$81	100	100	100	100	Investment holding	(a)

Name of subsidiary	Place of incorporation (or registration) and operation	Date of incorporation (or registration)	Issued and fully paid share capital/ registered capital	Shareholding/equity interest attributable to the Privateco			Date of this report	Principal activities	Notes
				31 December 2015	31 December 2016	31 December 2017			
				%	%	%	%		
Shanghai Techcomp Bio-equipment	PRC – wholly foreign-owned enterprise	9 October 2005	US\$2,000,000	100	100	100	100	Manufacturing of analytical and laboratory instruments	(c)
Shanghai Techcomp Instrument	PRC – wholly foreign-owned enterprise	10 June 1994	US\$3,350,000	100	100	100	100	Manufacturing of analytical and laboratory instruments	(c)
Silver Grand	Hong Kong	2 March 2012	HK\$10,000	100	100	100	100	Investment holding	(b), (d)
Sunny Time	Hong Kong	19 August 2010	HK\$10,000	100	100	100	100	Investment holding	(b), (d)
Techcomp (HK)	Hong Kong	22 January 1991	HK\$10,000,000	100	100	100	100	Trading of analytical and laboratory instruments	(b), (d)
Techcomp Europe	England & Wales	13 December 2012	GBP1	100	100	100	100	Investment holding	(l)
Techcomp India	India	17 August 2009	Rupee500,000	100	100	100	100	Trading of analytical and laboratory instruments	(a)
Techcomp Singapore	Singapore	8 March 2004	SGD300,000	100	100	100	100	Trading of analytical and laboratory instruments	(j)
<b>Indirectly held</b>									
Edinburgh Instruments	England & Wales	19 September 1969	GBP100,000	100	100	100	100	Manufacturing and trading of analytical and laboratory instruments	(i)
Froilabo Instruments SRL	Romania	17 May 2005	Romania Leu 37,500	100	100	100	100	Manufacturing and trading of analytical and laboratory instruments	(f)
Froilabo SAS	France	23 November 1998	EUR1,000,000	100	100	100	100	Manufacturing and trading of analytical and laboratory instruments	(f)
HCC SAS	France	27 April 2005	EUR2,300,000	100	100	100	100	Investment holding	(f)
IXRF	USA	19 July 1993	US\$631,000	56	56	56	56	Manufacturing and trading of analytical and laboratory instruments	(g)
Jingke Trading	PRC – wholly foreign-owned enterprise	23 June 2010	Renminbi ("RMB") 10,800,000	100	100	100	100	Trading of analytical and laboratory instruments	(c)
Precisa Gravimetrics AG	Switzerland	17 February 2006	Swiss Franc ("CHF") 5,000,000	100	100	100	100	Manufacturing of analytical and laboratory instruments	(e)
Precisa Gravimetrics Gmbh	Germany	19 December 2012	EUR25,000	100	100	100	100	Trading of analytical and laboratory instruments	(a)

Name of subsidiary	Place of incorporation (or registration) and operation	Date of incorporation (or registration)	Issued and fully paid share capital/ registered capital	Shareholding/equity interest attributable to the Privateco			Date of this report	Principal activities	Notes
				31 December 2015	31 December 2016	31 December 2017			
				%	%	%	%		
Precisa Limited	England & Wales	13 November 2006	GBP1,000	100	100	100	100	Distribution of analytical and laboratory instruments	(i)
Precisa Real Estate AG	Switzerland	13 September 2010	CHF500,000	100	100	100	100	Property holding	(m)
Scion Instruments (NL) B. V.	Netherlands	2 April 2015	EUR1	100	100	100	100	Manufacturing of analytical instruments	(h)
Scion Instruments (UK) Ltd.	England & Wales	3 July 2015	GBP1	100	100	100	100	Trading of analytical instruments	(h)
Shanghai Sanco	PRC – sino-foreign equity joint venture	15 December 1992	US\$350,000	81	81	81	81	Manufacturing and trading of analytical and laboratory instruments	(c)
Societe Craponne Tolerie SARL	France	6 January 1993	EUR75,000	100	100	100	100	Manufacturing of industrial metallurgy	(f)
Techcomp (USA) Inc.	USA	6 October 2014	N/A	100	100	100	100	Manufacturing and trading of analytical and laboratory instruments	(k)
Techcomp-Latino S.A. de C.V	Mexico	30 August 2013	Peso130,000	100	100	100	100	Trading of analytical and laboratory instruments	(a)
Techcomp Precision Balances	PRC – wholly foreign-owned enterprise	1 September 2010	RMB40,000,000	100	100	100	100	Manufacturing of analytical and laboratory instruments	(c)

All subsidiaries has adopted 31 December as their financial year end date.

*Notes:*

- (a) No audited financial statements of subsidiaries incorporated in Austria, BVI, India, Germany and Mexico have been prepared since their respective dates of incorporation as they were incorporated in the jurisdictions where there are no statutory audit requirements or are eligible for exemption from statutory audit under the rules in respective jurisdictions.
- (b) The statutory financial statements of Bibby Asia, Cheetah Scientific, Dynamic (Asia), Glory Union, Graceful Sky, Silver Grand, Sunny Time and Techcomp (HK) for the year ended 31 December 2015 and 31 December 2016 were prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing.

- (c) The statutory financial statements of subsidiaries established in the PRC were prepared in accordance with relevant accounting principles and regulations applicable to entities established in the PRC and were audited by certified public accountants registered in the PRC as set out below.

Name	Financial year	Auditor
Jingke Trading	For the years ended 31 December 2015, 2016 and 2017	上海博凱會計師事務所（特殊普通合伙）
Shanghai Sanco	For the years ended 31 December 2015, 2016 and 2017	上海建信八達會計師事務所有限公司
Shanghai Techcomp Bio-equipment	For the years ended 31 December 2015, 2016 and 2017	上海琳方會計師事務所有限公司
Shanghai Techcomp Instrument	For the years ended 31 December 2015, 2016 and 2017	上海琳方會計師事務所有限公司
Techcomp Precision Balances	For the years ended 31 December 2015, 2016 and 2017	上海博凱會計師事務所（特殊普通合伙）

- (d) No statutory audited financial statements of Bibby Asia, Cheetah Scientific, Dynamic (Asia), Glory Union, Graceful Sky, Silver Grand, Sunny Time and Techcomp (HK) have been prepared for the year ended 31 December 2017 as the financial statements have not yet been due to issue.
- (e) The statutory financial statements of Precisa Gravimetrics AG for the year ended 31 December 2015, 31 December 2016 and 31 December 2017 were prepared in accordance with IFRSs issued by IASB and were audited by Deloitte AG in accordance with Swiss Auditing Standards ("SAS").
- (f) The statutory financial statements of Froilabo Instruments SRL, Froilabo SAS, HCC SAS and Societe Craponne Tolerie SARL for the year ended 31 December 2015, 31 December 2016 and 31 December 2017 were prepared in accordance with IFRSs issued by IASB and were audited by Crowe Horwath Avvens in accordance with International Standards of Auditing ("ISA").
- (g) The statutory financial statements of IXRF for the year ended 31 December 2015, 31 December 2016 and 31 December 2017 were prepared in accordance with IFRSs issued by IASB and were audited by Alexander Lievens LLP in accordance with ISA.
- (h) The statutory financial statements of Scion Instruments (NL) B.V. and Scion Instruments (UK) Ltd. for the year ended 31 December 2015, 31 December 2016 and 31 December 2017 were prepared in accordance with IFRSs issued by IASB and were audited by Mazars LLP in accordance with ISA.
- (i) The statutory financial statements of Edinburgh Instruments, Dynamica Scientific and Precisa Limited for the year ended 31 December 2015, 31 December 2016 and 31 December 2017 were prepared in accordance with Financial Reporting Framework 101 ("FRS 101") issued by Financial Reporting Council (UK) and were audited by Mazars LLP in accordance with ISA.
- (j) The statutory financial statements of Regent Lite and Techcomp Singapore for the year ended 31 December 2015, 31 December 2016 and 31 December 2017 were prepared in accordance with Generally Accepted Accounting Principle ("GAAP") issued by Financial Accounting Standard Board ("FASB") and were audited by Deloitte & Touche LLP in accordance with ISA.
- (k) The statutory financial statements of Techcomp (USA) Inc. for the year ended 31 December 2015, 31 December 2016 and 31 December 2017 were prepared in accordance with GAAP issued by FASB and were audited by PICS Auditing, LLC, BKD CPAs & Advisors, LLP and BKD CPAs & Advisors, LLP, respectively in accordance with ISA.
- (l) The statutory financial statements of Techcomp Europe. for the year ended 31 December 2015, 31 December 2016 and 31 December 2017 were prepared in accordance with FRS 102 issued by Financial Reporting Council (UK) and were audited by Hardcastle Burton LLP in accordance with ISA.
- (m) The statutory financial statements of Precisa Real Estate AG for the year ended 31 December 2015, 31 December 2016 and 31 December 2017 were prepared in accordance with Standard for the Limited Statutory Examination Reporting issued by International Federation of Accountants and were audited by Revor Treuhand AG in accordance with SAS.

#### Details of non-wholly owned subsidiaries that have material non-controlling interests

No summarised financial information of IXRF and Shanghai Sanco that have non-controlling interests is disclosed because the financial impacts of these subsidiaries are not material to the Privateco Group.



## 19. INVENTORIES

	As at 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
<b>THE PRIVATECO GROUP</b>			
Raw materials	9,524	10,996	13,420
Work in progress	2,964	4,606	4,777
Finished goods	15,273	13,293	14,069
	<u>27,761</u>	<u>28,895</u>	<u>32,266</u>

## 20. TRADE AND OTHER RECEIVABLES

	As at 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
<b>THE PRIVATECO GROUP</b>			
Trade receivables (net of allowance for doubtful debts)	17,218	17,457	15,453
Trade bills receivables discounted with recourse (note 24)	944	1,973	2,593
	<u>18,162</u>	<u>19,430</u>	<u>18,046</u>
Prepayments (note a)	877	1,605	1,457
Other receivables (note b)	2,600	1,350	3,789
	<u>21,639</u>	<u>22,385</u>	<u>23,292</u>

The Privateco Group normally allows credit terms ranging from 30 days to 90 days to its trade debtors during the Track Record Period.

## Notes:

- (a) Prepayments mainly comprise advances to staff for business trips and other prepaid expenses.
- (b) Other receivables mainly represent other tax receivables and deposits paid to suppliers.

The aging of trade receivables, net of allowance for doubtful debts, and trade bills receivables discounted with recourse based on the invoice date at the end of the reporting period is as follows:

	As at 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Less than 90 days	13,723	16,134	14,528
91 to 120 days	640	532	573
121 to 365 days	1,809	902	366
1 to 2 years	1,670	910	1,455
Over 2 years	320	952	1,124
	<u>18,162</u>	<u>19,430</u>	<u>18,046</u>

The Privateco Group's management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due or impaired to be of a good quality because they are within the credit period granted and the Privateco Group's management considers the default rate is low for such receivables based on historical information and experience.

Included in the Privateco Group's trade receivables balances are debtors with aggregate carrying amount of US\$4,439,000, US\$3,296,000 and US\$3,854,000 as at 31 December 2015, 31 December 2016 and 31 December 2017, respectively which are past due at the end of the reporting period for which the Privateco Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Privateco Group does not hold any collateral over these balances.

The aging of trade receivables which are past due but not impaired at the end of the reporting period is as follows:

	As at 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Less than 90 days	–	–	919
91 to 120 days	640	532	259
121 to 365 days	1,809	902	97
1 to 2 years	1,670	910	1,455
Over 2 years	320	952	1,124
	<u>4,439</u>	<u>3,296</u>	<u>3,854</u>

#### Movements in the allowance for doubtful debts

	As at 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
At January 1	1,165	1,043	1,273
Exchange realignment	(31)	(44)	63
(Reversal of) allowance recognised for the year	(2)	327	487
Amounts written off as uncollectible	(89)	(53)	(165)
	<u>1,043</u>	<u>1,273</u>	<u>1,658</u>

Included in trade and other receivables are the following amounts denominated in currencies other than functional currencies of the group entities which they relate:

	As at 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
US\$	8,607	14,913	10,220
EUR	1,133	902	985
GBP	–	–	22
	<u>–</u>	<u>–</u>	<u>22</u>

## 21. AMOUNTS DUE FROM/TO GROUP COMPANIES

### THE PRIVATECO GROUP

Except for an amount due to a fellow subsidiary of US\$2,329,000, US\$3,473,000 and nil as at 31 December 2015, 31 December 2016 and 31 December 2017, respectively which are interest bearing at 8.0%, 5.0% and nil per annum, the remaining amounts are unsecured, interest-free and repayable on demand.

### THE PRIVATECO

The amounts are unsecured, interest-free and repayable on demand.

## 22. BANK BALANCES AND CASH/BANK OVERDRAFTS

### THE PRIVATECO GROUP

Bank balances and cash comprise cash held by the Privateco Group and short-term bank deposits with an original maturity of three months or less and carry interest at an average rate of 0.25% per annum during the Track Record Period. Bank overdrafts carry interest at an average rate of 5.05%, 6.96% and 5.99% per annum as at 31 December 2015, 31 December 2016 and 31 December 2017, respectively and are unsecured and repayable on demand.

Included in bank balances and cash are the following amounts denominated in currencies other than functional currencies of the group entities which they relate:

	As at 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
US\$	3,785	4,017	1,256
GBP	–	1	–
EUR	596	342	494
Japanese Yen ("JPY")	–	7	–
	<u>          </u>	<u>          </u>	<u>          </u>

### 23. TRADE AND OTHER PAYABLES

	As at 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
<b>THE PRIVATECO GROUP</b>			
Trade payables	6,777	8,512	5,868
Accruals	2,557	3,869	3,964
Customers' deposits	341	807	1,079
Other payables ( <i>note</i> )	1,973	1,564	1,493
	<u>          </u>	<u>          </u>	<u>          </u>
	11,648	14,752	12,404
	<u>          </u>	<u>          </u>	<u>          </u>

*Note:* Other payables mainly represent other tax payables and reimbursements to staff and other miscellaneous advances received.

The credit period on purchases of goods generally ranges from 30 days to 75 days during the Track Record Period. No interest is charged on outstanding trade payables during the Track Record Period. The aging of trade payables based on the invoice date at the end of reporting period is as follows:

	As at 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Less than 60 days	5,624	6,933	4,656
61 to 180 days	652	963	884
181 to 365 days	221	370	84
Over 365 days	280	246	244
	<u>          </u>	<u>          </u>	<u>          </u>
	6,777	8,512	5,868
	<u>          </u>	<u>          </u>	<u>          </u>

Included in trade and other payables are the following amounts denominated in currencies other than the functional currencies of the group entities which they relate:

	As at 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
JPY	1,633	2,291	845
US\$	608	671	127
EUR	65	357	356
GBP	11	1	–
	<u>          </u>	<u>          </u>	<u>          </u>

**24. TRANSFER OF FINANCIAL ASSETS**

The followings were the Privateco Group's financial assets as at 31 December 2015, 31 December 2016 and 31 December 2017 that were transferred to banks by discounting those receivables on full recourse basis. As the Privateco Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see note 25). These financial assets are carried at amortised cost in the Privateco Group's combined statements of financial position.

	<b>Bills receivables discounted to banks with full recourse</b>		
	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>THE PRIVATECO GROUP</b>			
Carrying amount of transferred assets (note 20)	944	1,973	2,593
Carrying amount of associated liabilities (note 25)	944	1,973	2,593
Net position	—	—	—

**25. BANK BORROWINGS**

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>THE PRIVATECO GROUP</b>			
Trust receipt loans	1,648	863	218
Other bank loans	23,277	20,896	11,173
Mortgage loan	2,800	2,606	2,852
Loans related to trade bills discounted with recourse (note 24)	944	1,973	2,593
	28,669	26,338	16,836
Secured	3,744	4,579	5,445
Unsecured	24,925	21,759	11,391
	28,669	26,338	16,836
Carrying value repayable:*			
Within one year	15,767	20,512	13,686
Between one to two years	6,140	3,043	422
Between two to five years	4,262	473	492
Over five years	2,500	2,310	2,236
	28,669	26,338	16,836
Less: Amounts due within one year shown under current liabilities	(15,767)	(20,512)	(13,686)
Amounts due after one year shown under non-current liabilities	12,902	5,826	3,150

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Included in bank borrowings are the following amounts denominated in currencies other than functional currencies of the group entities which they relate:

	As at 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
US\$	1,461	1,442	–
JPY	1,390	767	218
EUR	45	10	–

The Privateco Group's variable-rate borrowings carry interest of various margins above Hong Kong Interbank Offered Rate ("HIBOR"), Hong Kong prime lending rates, Euro-London Interbank Offer Rate ("Euro-LIBOR") or Swiss Franc-London Interbank Offer Rate ("Swiss Franc-LIBOR"). These interest rates are repriced every twelve months during the Track Record Period. The average effective interest rates were 2.09% to 6.09%, 3.0% to 3.6% and 3.0% to 5.3% per annum during the year ended 31 December 2015, 31 December 2016 and 31 December 2017, respectively.

## 26. RETIREMENT BENEFIT PLANS

### THE PRIVATECO GROUP

#### Defined contribution plans

The Privateco Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Privateco Group, in funds under the control of trustees. The Privateco Group contributes 5% of relevant payroll costs, with maximum of HK\$1,500 per employee per month, to the MPF Scheme, which contribution is matched by employees.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Privateco Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

#### Defined benefit plan

The Privateco Group also operates a funded defined benefit plan for qualifying employees. The defined benefit plan is administered by a separate fund that is legally separated from the entity (collective foundation).

The insurance plan is contribution-based. The plan contains a cash balance benefit formula. Under the plan, the collective foundation guarantees the vested benefit amount as confirmed annually to members. Interest may be added to member balances at the discretion of the collective foundation. At retirement date, members have the right to take their retirement benefit as a lump sum, an annuity or part as a lump sum with the balance converted to a fixed annuity at the rates defined in the rules of the collective foundation.

The collective foundation covers all actuarial, investment, interest and salary risks. The collective foundation can adjust risk and cost contributions according to the circumstances. The employer has to cover at least half of all contributions. If the contract is cancelled the employer needs to affiliate to another pension institution.

#### Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit.

#### Interest risk

A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investment.

#### Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2015, 31 December 2016 and 31 December 2017 by AXA Pension Solutions AG. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purpose of the actuarial valuations are as follows:

	As at 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Discount rate	0.90%	0.40%	0.53%
Expected rate of salary increases	0.50%	0.50%	0.50%

At 31 December 2015, 31 December 2016 and 31 December 2017, the actuarial valuation showed that the market value of plan assets was US\$10,342,000, US\$10,942,000 and US\$11,270,000, respectively.

Amounts recognised in other comprehensive income in respect of this benefit plan are as follows:

	Year ended 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Service cost:			
Current service cost	109	137	126
Past service cost and gain from settlements	(30)	–	–
Net interest expense	6	5	2
Components of defined benefit costs recognised in profit or loss	85	142	128
Remeasurement on the net defined benefit liability:			
Return on plan assets (excluding amounts included in net interest expense)	(154)	(657)	140
Actuarial gains and losses arising from experience adjustments	276	615	641
Components of defined benefit costs recognised in other comprehensive income	122	(42)	781
Contributions from the employer	(173)	(162)	(186)
Exchange realignment	(2)	(1)	–
Total	32	(63)	723

The current contributions for each year is included in the staff costs in profit or loss and the remeasurement credit or charge of the net defined benefit liability arising from the experience adjustments is included in other comprehensive income.

The amount included in the combined statements of financial position arising from the Privateco Group's obligations in respect of its defined benefit plan is as follows:

	As at 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Present value of funded defined benefit obligations	(10,856)	(11,388)	(12,462)
Fair value of plan assets	10,342	10,942	11,270
Net liabilities recognised from defined benefit obligation	(514)	(446)	(1,192)

Movements in the present value of the defined benefit obligations during the Track Record Period are as follows:

	2015 US\$'000	2016 US\$'000	2017 US\$'000
At January 1	9,687	10,856	11,388
Current service cost	109	137	126
Past service cost and gain from settlements	(30)	–	–
Interest cost	126	99	47
Contributions from plan participants	172	161	185
Benefits deposited (paid)	559	(323)	(373)
Remeasurement losses:			
Actuarial losses arising from experience adjustments	276	615	641
Exchange realignment	(43)	(157)	448
At December 31	10,856	11,388	12,462

Movements in the present value of the plan assets during the Track Record Period are as follows:

	2015 US\$'000	2016 US\$'000	2017 US\$'000
At January 1	9,205	10,342	10,942
Interest income	120	94	45
Contributions from the employer	173	162	186
Contributions from plan participants	172	161	185
Benefits deposited (paid)	559	(323)	(373)
Remeasurement gains (losses):			
Return on plan assets (excluding amounts included in net interest expense)	154	657	(140)
Exchange realignment	(41)	(151)	425
At December 31	10,342	10,942	11,270

Investment of the assets is done by the collective foundation.

Significant actuarial assumptions for the determination of the defined obligations are discount rate and expected salary increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate is 25 basis points higher (lower), the defined benefit obligations would decrease by US\$244,000 (increase by US\$257,000), decrease by US\$267,000 (increase by US\$281,000) and decrease by US\$268,000 (increase by US\$282,000) for the year ended 31 December 2015, 31 December 2016 and 31 December 2017, respectively.

If the expected salary growth increases (decreases) by 0.25%, the defined benefit obligations would increase by US\$2,000 (decrease by US\$5,000), increase by US\$2,000 (decrease by US\$5,000) and increase by US\$2,000 (decrease by US\$5,000) for the year ended 31 December 2015, 31 December 2016 and 31 December 2017, respectively.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligations has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligations liability recognised in the combined statements of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

There has been no change in the process used by the Privateco Group to manage its risks from prior years.

The Privateco Group expects to make a contribution of US\$173,000, US\$162,000 and US\$186,000 to the defined benefit plan during the next financial year for the year ended 31 December 2015, 31 December 2016 and 31 December 2017, respectively.

## 27. DEFERRED TAX ASSETS (LIABILITIES)

## THE PRIVATECO GROUP

The followings are the major deferred tax (liabilities) assets recognised by the Privateco Group and the movements thereon, during the Track Record Period:

	Deferred development costs <i>US\$'000</i>	Temporary differences on tax depreciation <i>US\$'000</i>	Total <i>US\$'000</i>
At 1 January 2015	(237)	20	(217)
Exchange realignment	9	(1)	8
(Charged) credited to profit or loss during the year ( <i>note 11</i> )	(9)	7	(2)
At 31 December 2015	(237)	26	(211)
Exchange realignment	12	(1)	11
Credited (charged) to profit or loss during the year ( <i>note 11</i> )	84	(10)	74
At 31 December 2016	(141)	15	(126)
Exchange realignment	(11)	1	(10)
Credited to profit or loss during the year ( <i>note 11</i> )	6	–	6
At 31 December 2017	(146)	16	(130)

The following is the analysis of the deferred tax balances:

	As at 31 December		
	2015 <i>US\$'000</i>	2016 <i>US\$'000</i>	2017 <i>US\$'000</i>
Deferred tax assets	26	15	16
Deferred tax liabilities	(237)	(141)	(146)
	(211)	(126)	(130)

At 31 December 2015, 31 December 2016 and 31 December 2017, the Privateco Group has unutilised tax losses of US\$21,682,000, US\$29,124,000 and US\$32,556,000, respectively available for offsetting against future periods. No deferred tax asset has been recognised for the unutilised tax losses due to the unpredictability of future profit streams. The unrecognised tax losses of US\$17,974,000, US\$18,071,000 and US\$18,420,000 at 31 December 2015, 31 December 2016 and 31 December 2017 will expire in the years of 2016 to 2022, 2017 to 2023 and 2018 to 2024, respectively. Other losses can be carried forward indefinitely.

At 31 December 2015, 31 December 2016 and 31 December 2017, no deferred tax has been recognised in respect of the temporary differences attributable to the undistributable retained profits earned by the subsidiaries in the PRC amounting to US\$1,403,000, US\$1,054,000 and US\$829,000, respectively as management is of the opinion that the Privateco Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## 28. SHARE CAPITAL

## THE PRIVATECO GROUP

The share capital as at 1 January 2015, 31 December 2015, 31 December 2016 and 31 December 2017 shown in the Historical Financial Information represented the combined share capital of the Privateco, Richwell, Regent Lite, Silver Grand, Glory Union, Graceful Sky, Sunny Time, Techcomp Europe, Techcomp (HK), Techcomp Singapore, Bibby Asia, Techcomp India, Dynamic Scientific and Dynamic Asia.

On 8 November 2016, 200,000 ordinary shares of SGD1 each were issued at par by Techcomp Singapore and allotted to its shareholder at a consideration of SGD200,000 (equivalent to US\$138,000) to provide additional working capital.



## THE PRIVATECO

	As at 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Authorised, issued and full paid: 50,000 shares of US\$1 each	50	50	50
<b>29. RESERVES OF THE PRIVATECO</b>			
	Contribution surplus US\$'000	(Accumulated losses) retained profits US\$'000	Total US\$'000
At 1 January 2015	550	(186)	364
Loss and total comprehensive expense for the year	—	(2)	(2)
At 31 December 2015	550	(188)	362
Loss and total comprehensive expense for the year	—	(3)	(3)
At 31 December 2016	550	(191)	359
Profit and total comprehensive income for the year	—	1,912	1,912
At 31 December 2017	550	1,721	2,271

## 30. OPERATING LEASE ARRANGEMENTS

## The Privateco Group as lessee

	Year ended 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Minimum lease payments under operating leases recognised as an expense during the year	1,672	1,573	728

At the end of the reporting period, the Privateco Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	As at 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Within one year	913	973	736
In the second to fifth year inclusive	2,299	2,140	910
After five years	243	623	433
	3,455	3,736	2,079

Operating lease payments represent rentals payable by the Privateco Group for certain of its factories and office premises. Leases are negotiated for and rentals are fixed for a term ranging from 1 to 9 years during the Track Record Period.

**31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

The table below details changes in the Privateco Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Privateco Group's combined statements of cash flows as cash flows from financing activities.

	Bank borrowings US\$'000	Loans related to trade bills discounted with recourse US\$'000	Amount due to immediate holding company US\$'000	Amounts due to fellow subsidiaries US\$'000	Interest payable US\$'000	Total US\$'000
At 1 January 2015	31,085	3,747	2	34,443	–	69,277
Financing cash flows	(3,344)	9,787	–	16,778	(1,185)	22,036
Exchange realignment	(16)	–	–	–	–	(16)
Non-cash changes (Note)	–	(12,590)	–	–	–	(12,590)
Interest expenses	–	–	–	–	1,185	1,185
At 31 December 2015	27,725	944	2	51,221	–	79,892
Financing cash flows	(3,317)	5,772	–	12,638	(1,020)	14,073
Exchange realignment	(43)	–	–	–	–	(43)
Non-cash changes (Note)	–	(4,743)	–	–	–	(4,743)
Interest expenses	–	–	–	–	1,020	1,020
At 31 December 2016	24,365	1,973	2	63,859	–	90,199
Financing cash flows	(10,261)	6,079	66,518	(53,077)	(803)	8,456
Exchange realignment	139	–	–	–	–	139
Non-cash changes (Note)	–	(5,459)	–	–	–	(5,459)
Interest expenses	–	–	–	–	803	803
At 31 December 2017	14,243	2,593	66,520	10,782	–	94,138

*Note:* Being non-cash settlement with trade bills receivables discounted with recourse included in trade and other receivables.

**32. RELATED PARTY TRANSACTIONS**

- (a) In addition to the transactions and balances disclosed in the Historical Financial Information, the Privateco Group entered into the following transactions with related parties as follows:

	Year ended 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Sales to fellow subsidiaries	17,096	21,111	26,345
Purchases from fellow subsidiaries	2,020	1,930	1,419
Commission income from a fellow subsidiary	666	522	783
Interest expense to a fellow subsidiary	129	142	185

- (b) Guarantees given to banks by a related party are as follows:

	As at 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Guarantees from immediate holding company	47,500	43,141	40,897

- (c) Compensation of key management personnel

The remuneration of key management personnel during the Track Record Period is as follows:

	Year ended 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Short-term benefits	2,243	2,352	2,352
Post-employment benefits	154	176	191
	<u>2,397</u>	<u>2,528</u>	<u>2,543</u>

### 33. CAPITAL RISK MANAGEMENT

The Privateco Group manages its capital to ensure that entities in the Privateco Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. The Privateco Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Privateco Group consists of net debts, which includes bank borrowings and bank overdrafts in notes 25 and 22, cash and cash equivalents and equity attributable to owners of the Privateco, comprising issued share capital, reserves and accumulated losses as disclosed in the Historical Financial Information.

The sole director of the Privateco reviews the capital structure on a regular basis. As part of this review, the sole director considers the cost of capital and the risks associated with the capital. Based on recommendations of the sole director, the Privateco will balance its overall capital structure through new share issues as well as issue of new debt or the redemption of existing debts.

### 34. FINANCIAL INSTRUMENTS

#### Categories of financial instruments

	As at 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
<b>THE PRIVATECO GROUP</b>			
<b>Financial assets</b>			
Loans and receivables (including cash and cash equivalents)	29,911	30,556	28,297
Available-for-sale investments	40	40	40
	<u>29,951</u>	<u>30,596</u>	<u>28,337</u>
<b>Financial liabilities</b>			
Amortised cost	88,497	99,224	103,552
	<u>88,497</u>	<u>99,224</u>	<u>103,552</u>
<b>THE PRIVATECO</b>			
<b>Financial assets</b>			
Loans and receivables (including cash and cash equivalents)	190	190	73,711
	<u>190</u>	<u>190</u>	<u>73,711</u>
<b>Financial liabilities</b>			
Amortised cost	2,383	2,386	73,995
	<u>2,383</u>	<u>2,386</u>	<u>73,995</u>

#### Financial risk management objectives and policies

The Privateco Group's and the Privateco's financial instruments include bank balances and cash, trade and other receivables, amounts due from/to group companies, available-for-sale investments, trade and other payables, bank borrowings and bank overdrafts. Details of these financial instruments are disclosed in the respective notes to the Historical Financial Information. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate risk management measures are implemented on a timely and effective manner.

**Market risk****Foreign exchange risk**

Several subsidiaries of the Privateco have sales and purchases denominated in foreign currencies, which exposes the Privateco Group to foreign currency risk. The Privateco Group's sales are principally in US\$ and RMB. Most of the Privateco Group's purchases are made in JPY, RMB and US\$. Expenses incurred are generally denominated in HK\$, RMB, EUR and SGD, which are the functional currencies of the group entities operating in Hong Kong, the PRC, Europe and Singapore, respectively.

The carrying amounts of major foreign currency denominated monetary assets and monetary liabilities, other than functional currencies of the respective group entities, at the end of the reporting period are as follows:

	<b>Assets</b>			<b>Liabilities</b>		
	<b>At 31 December</b>			<b>At 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
US\$	12,392	18,930	11,476	2,069	2,113	127
EUR	1,729	1,244	1,479	110	367	356
GBP	–	1	22	11	1	–
JPY	–	7	–	3,023	3,058	1,063
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**Sensitivity analysis**

The following table details the Privateco Group's sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of each group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. The sensitivity analysis excludes balances which are denominated in US\$ for entities with HK\$ as their functional currencies since US\$ are pegged to HK\$.

If the relevant foreign currency weakens by 5% against the functional currency of each group entity, loss before taxation will decrease (increase) by:

	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
US\$	6	(214)	(81)
EUR	(81)	(44)	(56)
GBP	1	–	(1)
JPY	151	153	53
	<u>          </u>	<u>          </u>	<u>          </u>

If the relevant foreign currency strengthens by 5%, there would be an equal but opposite impact on loss before taxation.

**Interest rate risk management**

The Privateco Group is exposed to fair value interest rate risk in relation to fixed-rate amount due to a fellow subsidiary (see note 21 for details).

The Privateco Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank overdrafts. Interests charged on the Privateco Group's borrowings and bank overdrafts are at variable rates and are pegged at various margins above the HIBOR, the prime lending rates, the Euro-LIBOR or Swiss Franc-LIBOR.

*Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the amount outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates. Bank balances are excluded from sensitivity analysis as the sole director of the Privateco considers that the exposure of cash flow interest rate risk arising from variable rate bank balances is insignificant.

If interest rates on variable-rate bank borrowings and bank overdrafts had been 50 basis points higher/lower and all other variables were held constant, the Privateco Group's loss before taxation will increase/decrease by US\$143,000, US\$132,000 and US\$93,000 during the year ended 31 December 2015, 31 December 2016 and 31 December 2017, respectively.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

**Credit risk**

The Privateco Group's and the Privateco's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2015, 31 December 2016 and 31 December 2017 in relation to each class of recognised financial assets are the carrying amount of these assets as stated in the combined statements of financial position.

In order to minimise the credit risk, the management monitors follow-up actions to recover overdue debts. Management of the Privateco Group reviews the recoverable amount of each individual trade receivable regularly at the end of each reporting period to ensure that adequate allowances for impairment losses are made for irrecoverable amounts. In this regard, the sole director of the Privateco considers that the Group's credit risk is adequately managed and mitigated.

The Privateco Group has concentration of risk in respect of the amounts due from fellow subsidiaries at the end of each reporting period. The Privateco has concentration of credit risk on amounts due from subsidiaries and fellow subsidiaries at the end of each reporting period. In order to minimise the credit risk, the management has reviewed the recoverable amounts of the advances to subsidiaries and fellow subsidiaries regularly and the recoverable amount of each receivable from its subsidiaries and fellow subsidiaries at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the sole director of the Privateco consider that the Privateco Group's and the Privateco's credit risks are significantly reduced.

The management considers the credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit agencies.

Trade receivables consist of a large number of customers spread across diverse industries. The management has considered the strong financial background and good credit standing of these customers, mainly universities, research institutions and government agencies and is of the view that there is no significant credit risk on these receivables.

**Liquidity risk**

In the management of liquidity risk, the Privateco Group and the Privateco monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Privateco Group's and the Privateco's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Privateco Group's current liabilities exceeded its current assets by US\$18,755,000, US\$37,509,000 and US\$41,950,000 as at 31 December 2015, 31 December 2016 and 31 December 2017, respectively, and is exposed to liquidity risk. The Privateco Group relies on its operating cash flows and fundings from fellow subsidiaries and bank borrowings as significant sources of liquidity. The Company has agreed to provide adequate fund to enable the Privateco Group to meet in full its financial obligations as and when they fall due in the foreseeable future prior to the distribution in specie and for the purpose of the Group Reorganisation, the Privateco Group will allot and issue one share to the Company in consideration of the capitalisation of the net balances due from/due to the Remaining Group, the Privateco Group have net current assets and net assets position upon completion of the distribution in specie.

**Liquidity and interest risk tables****THE PRIVATECO GROUP**

The following table details the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Privateco Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	On demand or within 1 year US\$'000	1 year to 5 years US\$'000	Over 5 years US\$'000	Total undiscounted cash flows US\$'000	Carrying amounts US\$'000
<b>31 December 2015</b>						
Trade and other payables	–	8,600	–	–	8,600	8,600
Amount due to immediate holding company	–	2	–	–	2	2
Amounts due to fellow subsidiaries	–	51,221	–	–	51,221	51,221
Bank borrowings	3.23	16,203	10,669	2,512	29,384	28,669
Bank overdrafts	5.05	5	–	–	5	5
		<u>76,031</u>	<u>10,669</u>	<u>2,512</u>	<u>89,212</u>	<u>88,497</u>
<b>31 December 2016</b>						
Trade and other payables	–	9,017	–	–	9,017	9,017
Amount due to immediate holding company	–	2	–	–	2	2
Amounts due to fellow subsidiaries	–	63,859	–	–	63,859	63,859
Bank borrowings	3.19	21,076	4,212	2,808	28,096	26,338
Bank overdrafts	6.96	8	–	–	8	8
		<u>93,962</u>	<u>4,212</u>	<u>2,808</u>	<u>100,982</u>	<u>99,224</u>
<b>31 December 2017</b>						
Trade and other payables	–	7,578	–	–	7,578	7,578
Amount due to immediate holding company	–	66,520	–	–	66,520	66,520
Amounts due to fellow subsidiaries	–	10,782	–	–	10,782	10,782
Bank borrowings	3.79	13,917	929	2,305	17,151	16,836
Bank overdrafts	5.99	1,836	–	–	1,836	1,836
		<u>100,633</u>	<u>929</u>	<u>2,305</u>	<u>103,867</u>	<u>103,552</u>

**THE PRIVATECO**

The financial liabilities of the Privateco are interest-free and repayable on demand.

**Fair value of financial assets and financial liabilities**

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

**35. EVENT AFTER THE END OF THE REPORTING PERIOD**

On 18 April 2018, (i) Mr. Lo Yat Keung and Mr. Chan Wai Shing (as vendors) (the "Vendors"), Baodi International Investment Company Ltd (as purchaser) (the "Purchaser") and Yunnan Energy Investment (H K) Co. Limited as guarantor entered into a sale and purchase agreement (as supplemented and amended by a supplemental agreement dated 22 June 2018) relating to the disposal of an aggregate of 122,176,500 shares in the Company by the Vendors and (ii) Mr. Guo Bing (as vendor) ("Mr. Guo") and the Purchaser entered into a sale and purchase agreement (as supplemented and amended by a supplemental agreement dated 22 June 2018) relating to the disposal of an aggregate of 47,364,648 shares in the Company by Mr. Guo.

On the same date, the Company entered into a subscription agreement (as supplemented and amended by a supplemental subscription agreement dated 22 June 2018) with the Purchaser in relation to the subscription of the convertible bonds for a maximum aggregate amount of US\$32,482,307 to be issued by the Company.

As part of the above transactions, the Company will undergo the Group Reorganisation (pursuant to which there will be certain internal transfers within the Group to split the Group into two groups i.e. the Remaining Group and the Privateco Group. The shares of the Privateco will then be distributed in specie to the shareholders of the Company. More details of the Group Reorganisation and the distribution in specie are set out in the section headed "B. Proposed Group Reorganisation and Distribution In Specie of the Privateco Shares" of the Circular.

**36. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Privateco or any of its subsidiaries upon completion of the Group Reorganisation subsequent to 31 December 2017.

**BUSINESS REVIEW FOR THE YEAR ENDED 31 DECEMBER 2015****Operating Results**

For the year ended 31 December 2015, the Remaining Group recorded revenue of approximately US\$114.9 million, which comprised of the sale of analytical instruments, life science equipment and laboratory instruments, and loss after tax of approximately US\$6.2 million, which included the pro forma loss on the Distribution in Specie of US\$12.2 million.

**Liquidity, Financial Resources and Capital Structure**

For the year ended 31 December 2015, the Remaining Group's operations were primarily financed through a combination of internally generated cash flows and bank borrowings and facilities.

As at 31 December 2015, each of Remaining Group's current assets and current ratio was approximately US\$81.5 million and 1.4 respectively. The gearing ratio (defined as total interest bearing borrowings over total equity) was approximately 46.2% as at 31 December 2015.

As at 31 December 2015, the Remaining Group's bank balances and cash amounted to approximately US\$6.7 million.

As at 31 December 2015, total bank borrowings and overdrafts amounted to approximately US\$11.8 million. Approximately 46.2% of the bank borrowings were denominated in Japanese Yen and the rest in other currencies such as British Pound and Hong Kong Dollar. The Group adopted centralised financing and treasury policies in order to ensure that group financing was managed efficiently. The Group also regularly monitored its liquidity requirements, its compliance with lending covenants and its relationship with bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short term and long term.

**Pledge of Assets**

As at 31 December 2015, the Remaining Group's inventories of USD8,437,000 and trade bills discounted with recourse of USD957,000 were pledged as securities for bank borrowings of the Remaining Group.

**Capital Commitments and Operating Lease Commitments**

As at 31 December 2015, the Remaining Group had no material capital commitments.



As at 31 December 2015, the Remaining Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	<i>US\$'000</i>
Within one year	990
In the second to fifth year inclusive	852
	<hr/>
	1,842
	<hr/> <hr/>

### **Significant Investments, Material Acquisitions and Disposals**

During the year ended 31 December 2015, the Remaining Group did not make any significant investments, material acquisitions or disposals.

### **Employees and Remuneration Policy**

As at 31 December 2015, there were 300 employees in the Remaining Group. Staff remuneration packages were determined after considering market conditions and the performance of individuals concerned, and were subject to review from time to time. The Remaining Group also provided other staff benefits including medical and life insurance, and grants discretionary bonuses and share options to eligible staff based on their performance and contributions to the Group.

### **Future Plans for Material Investments and Acquisitions of Capital Assets**

There was no specific plan for material investments and acquisitions of material capital assets as at 31 December 2015.

## **BUSINESS REVIEW FOR THE YEAR ENDED 31 DECEMBER 2016**

### **Operating Results**

For the year ended 31 December 2016, the Remaining Group recorded revenue of approximately US\$133.2 million, an increase of approximately 15.9% as compared to the previous year, mainly driven by the increase in sales in PRC. The Remaining Group recorded a profit after tax of approximately US\$0.3 million for the year ended 31 December 2016, which included the pro forma loss on the Distribution in Specie of US\$12.2 million, an increase of approximately US\$6.5 million as compared to the previous year, principally due to higher gross profit margins attributable to favourable exchange rate.

**Liquidity, Financial Resources and Capital Structure**

For the year ended 31 December 2016, the Remaining Group's operations were primarily financed through a combination of internally generated cash flows and bank borrowings and facilities.

As at 31 December 2016, each of Remaining Group's current assets and current ratio was approximately US\$93.7 million and 1.6 respectively. The gearing ratio (defined as total interest bearing borrowings over total equity) was approximately 57.4% as at 31 December 2016.

As at 31 December 2016, the Remaining Group's bank balances and cash amounted to approximately US\$6.6 million.

As at 31 December 2016, the total bank borrowings and overdrafts amounted to approximately US\$20.0 million. Approximately 14.0% of the bank borrowings were denominated in US Dollar, approximately 36.5% in Japanese Yen and the rest in other currencies such as British Pound and Hong Kong Dollar. The Group adopted centralised financing and treasury policies in order to ensure that group financing was managed efficiently. The Group also regularly monitored its liquidity requirements, its compliance with lending covenants and its relationship with bankers to ensure that it maintained sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short term and long term.

**Pledge of Assets**

As at 31 December 2016, the Remaining Group's inventories of USD10,053,000 and trade bills discounted with recourse of USD1,704,000 were pledged as securities for bank borrowings of the Remaining Group.

**Capital Commitments and Operating Lease Commitments**

As at 31 December 2016, the Remaining Group had no material capital commitments.

As at 31 December 2016, the Remaining Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	<i>US\$'000</i>
Within one year	838
In the second to fifth year inclusive	54
	<u>892</u>

**Significant Investments, Material Acquisitions and Disposals**

During the year ended 31 December 2016, the Remaining Group did not make any significant investments, material acquisitions or disposals.

**Employees and Remuneration Policy**

As at 31 December 2016, there were 305 employees in the Remaining Group. Staff remuneration packages were determined after considering market conditions and the performance of individuals concerned, and were subject to review from time to time. The Remaining Group also provided other staff benefits including medical and life insurance, and grants discretionary bonuses and share options to eligible staff based on their performance and contributions to the Group.

**Future Plans for Material Investments and Acquisitions of Capital Assets**

There was no specific plan for material investments and acquisitions of material capital assets as at 31 December 2016.

**BUSINESS REVIEW FOR THE YEAR ENDED 31 DECEMBER 2017****Operating Results**

For the year ended 31 December 2017, the Remaining Group recorded revenue of approximately US\$145.5 million, an increase of approximately 9.3% as compared to the previous year, mainly driven by increased demand for scientific equipment in the PRC. The Remaining Group recorded a loss after tax of approximately US\$8.8 million for the year ended 31 December 2017, which included the pro forma loss on the Distribution in Specie of US\$12.2 million, a decrease of approximately US\$9.1 million as compared to the previous year, principally due to lower gross profit margins attributable to the unfavourable exchange rate and a change in product mix.

**Liquidity, Financial Resources and Capital Structure**

For the year ended 31 December 2017, the Remaining Group's operations were primarily financed through a combination of internally generated cash flows and bank borrowings and facilities.

As at 31 December 2017, each of Remaining Group's current assets and current ratio was approximately US\$90.1 million and 1.8 respectively. The gearing ratio (defined as total interest bearing borrowings over total equity) was approximately 54.1% as at 31 December 2017.

As at 31 December 2017, the Remaining Group's bank balances and cash amounted to approximately US\$7.7 million.

As at 31 December 2017, the total bank borrowings and overdrafts amounted to approximately s US\$21.3 million. Approximately 12.1% of the bank borrowings were denominated in US Dollar, approximately 35.1% in Japanese Yen and the rest in other currencies such as British Pound and Hong Kong Dollar. The Group adopted centralised financing and treasury policies in order to ensure that group financing is managed efficiently. The Group also regularly monitored its liquidity requirements, its compliance with lending covenants and its relationship with bankers to ensure that it maintained sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short term and long term.

**Pledge of Assets**

As at 31 December 2017, the Remaining Group's inventories of USD12,450,000 and trade bills discounted with recourse of USD895,000 were pledged as securities for bank borrowings of the Remaining Group.

**Capital Commitments and Operating Lease Commitments**

As at 31 December 2017, the Remaining Group had no material capital commitments.

As at 31 December 2017, the Remaining Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	<i>US\$'000</i>
Within one year	296
In the second to fifth year inclusive	<u>16</u>
	<u><u>312</u></u>

**Significant Investments, Material Acquisitions and Disposals**

During the year ended 31 December 2017, the Remaining Group did not make any significant investments, material acquisitions or disposals.

**Employees and Remuneration Policy**

As at 31 December 2017, there were 317 employees in the Remaining Group. Staff remuneration packages were determined after considering market conditions and the performance of individuals concerned, and were subject to review from time to time. The Remaining Group also provided other staff benefits including medical and life insurance, and grants discretionary bonuses and share options to eligible staff based on their performance and contributions to the Group.

**Future Plans for Material Investments and Acquisitions of Capital Assets**

There was no specific plan for material investments and acquisitions of material capital assets as at 31 December 2017.

**A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP**

The following is the Unaudited Pro Forma Financial Information of the Remaining Group as if the Group Reorganisation and Distribution In Specie had completed on 31 December 2017 for the unaudited pro forma consolidated statement of financial position, and on 1 January 2017 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows.

The Unaudited Pro Forma Financial Information of the Remaining Group should be read in conjunction with the audited consolidated statement of financial position of the Group as at 31 December 2017, and audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows of the Group for the year ended 31 December 2017 as set out in the annual report of the Company for the year then ended (the “2017 Annual Report”), and other financial information included elsewhere in the circular.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the consolidated statement of financial position of the Group as at 31 December 2017 as extracted from the 2017 Annual Report after making pro forma adjustments which are directly attributable to the Group Reorganisation and Distribution In Specie and factually supportable, as if the Group Reorganisation and Distribution In Specie had been completed on 31 December 2017.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2017 as extracted from the 2017 Annual Report after making pro forma adjustments which are directly attributable to the Group Reorganisation and Distribution In Specie and factually supportable, as if the Group Reorganisation and Distribution In Specie had been completed on 1 January 2017.

The Unaudited Pro Forma Financial Information of the Group has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules to illustrate the possible outcome relating to the Group Reorganisation and Distribution In Specie. It is prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group upon completion of the Group Reorganisation and Distribution In Specie as at 31 December 2017 or any future date, or the financial performance and cash flows of the Group upon the completion of the Group Reorganisation and Distribution In Specie for the year ended 31 December 2017 or any future period.

## APPENDIX V

## UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

### UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	The Group	Pro forma adjustments						The Remaining Group
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6		
<b>Non-current assets</b>								
Property, plant and equipment	10,123	(9,894)						229
Goodwill	1,347	(1,347)						–
Other intangible assets	4,362	(4,362)						–
Deposits paid for acquisition of property, plant and equipment	910	(910)						–
Other assets	944	(534)						410
Deferred tax assets	16	(16)						–
	<u>17,702</u>							<u>639</u>
<b>Current assets</b>								
Inventories	44,649	(32,266)						12,383
Trade and other receivables	88,698	(23,292)		4,600				70,006
Amounts due from group companies	–	(1,892)	80,337	(4,600)	(73,845)			–
Tax recoverable	366	(364)						2
Bank balances and cash	14,438	(5,522)				(1,242)		7,674
	<u>148,151</u>							<u>90,065</u>
<b>Current liabilities</b>								
Trade and other payables	39,617	(12,404)						27,213
Amounts due to group companies	–	(77,302)	80,147		(2,845)			–
Tax payable	2,774	(58)						2,716
Bank borrowings - due within one year	34,076	(13,686)						20,390
Bank overdrafts	2,783	(1,836)						947
	<u>79,250</u>							<u>51,266</u>
<b>Net current assets</b>	<u>68,901</u>							<u>38,799</u>
<b>Total assets less current liabilities</b>	<u>86,603</u>							<u>39,438</u>

## APPENDIX V

## UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

	The Group	Pro forma adjustments						The Remaining Group
	US\$'000 Note 1	US\$'000 Note 2	US\$'000 Note 3	US\$'000 Note 4	US\$'000 Note 5	US\$'000 Note 6	US\$'000	
<b>Non-current liabilities</b>								
Bank borrowings - due after one year	3,150	(3,150)						-
Retirement benefit plan	1,192	(1,192)						-
Deferred tax liabilities	146	(146)						-
	<u>4,488</u>							<u>-</u>
<b>Net assets</b>	<u>82,115</u>							<u>39,438</u>
<b>Capital and reserves</b>								
Share capital	13,772							13,772
Reserves	<u>69,578</u>	28,140	190		(71,000)	(1,242)		<u>25,666</u>
Equity attributable to owners of the Company	83,350							39,438
Non-controlling interests	<u>(1,235)</u>	1,235						<u>-</u>
<b>Total equity</b>	<u>82,115</u>							<u>39,438</u>



## APPENDIX V

## UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

### UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	The Group	Pro forma adjustments					The Remaining Group
	US\$'000 Note 1	US\$'000 Note 7	US\$'000 Note 8	US\$'000 Note 9	US\$'000 Note 6	US\$'000	
Revenue	199,374	(81,638)	27,764			145,500	
Cost of sales	(144,305)	52,401	(27,764)			(119,668)	
Gross profit	55,069					25,832	
Other income, gains and losses	1,093	(1,359)	783			517	
Loss on distribution in specie of shares in a subsidiary	–			(12,218)		(12,218)	
Selling and distribution expenses	(18,829)	8,335	(783)			(11,277)	
Administrative expenses	(31,101)	21,847			(1,242)	(10,496)	
Research and development costs	(3,208)	3,208				–	
Finance costs	(1,540)	803				(737)	
Profit (loss) before taxation	1,484					(8,379)	
Taxation	(498)	28				(470)	
Profit (loss) for the year	986					(8,849)	
Other comprehensive income (expense)							
Item that will not be reclassified to profit or loss:							
Recognition of actuarial (loss) gain on defined benefit plan	(723)	723				–	
Item that may be reclassified subsequently to profit or loss:							
Exchange differences arising on translation of foreign operations	1,550	(1,568)				(18)	
Release of translation reserve upon distribution in specie of shares in a subsidiary	–			3,218		3,218	
Other comprehensive income for the year	827					3,200	
Total comprehensive income (expense) for the year	1,813					(5,649)	

**APPENDIX V****UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

	<b>The Group</b>	<b>Pro forma adjustments</b>					<b>The Remaining Group</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>		<i>US\$'000</i>
	<i>Note 1</i>	<i>Note 7</i>	<i>Note 8</i>	<i>Note 9</i>	<i>Note 6</i>		
Profit (loss) for the year							
attributable to:							
Owners of the Company	1,335	3,276		(12,218)	(1,242)		(8,849)
Non-controlling interests	<u>(349)</u>	<u>349</u>					<u>-</u>
	<u>986</u>						<u>(8,849)</u>
Total comprehensive income (expense) for the							
year							
attributable to:							
Owners of the Company	2,155	2,438		(9,000)	(1,242)		(5,649)
Non-controlling interests	<u>(342)</u>	<u>342</u>					<u>-</u>
	<u>1,813</u>						<u>(5,649)</u>

## APPENDIX V

## UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

### UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS

	The Group	Pro forma adjustments				The Remaining Group
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	Note 1	Note 7	Note 8	Note 9	Note 6	
<b>Operating activities</b>						
Profit (loss) before taxation	1,484	3,597		(12,218)	(1,242)	(8,379)
Adjustments for:						
Depreciation of property, plant and equipment	1,185	(876)				309
Amortisation of other intangible assets	1,578	(1,578)				–
Interest income	(20)	3				(17)
Interest expenses	1,540	(803)				737
Allowance for doubtful debts	975	(487)				488
Gain on disposal of property, plant and equipment	(413)	51				(362)
Loss on distribution in specie of shares in a subsidiary	–			12,218		12,218
Impairment loss recognised in respect of goodwill	847	(847)				–
Write-off of other intangible assets	57	(57)				–
Allowance for inventories	116	(116)				–
Share-based payment expenses	59					59
Operating cash inflow before movements in working capital	7,408					5,053
(Increase) decrease in inventories	(2,828)	2,920				92
Increase in trade and other receivables	(6,028)	6,000				(28)
(Decrease) increase in trade and other payables	(492)	3,326	(831)			2,003
Cash (used in) from operations	(1,940)					7,120
PRC Enterprise Income Tax paid	(281)	241				(40)
Net cash (used in) from operating activities	(2,221)					7,080

## APPENDIX V

## UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

	The Group	Pro forma adjustments				The Remaining Group
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	Note 1	Note 7	Note 8	Note 9	Note 6	
<b>Investing activities</b>						
Payment for product development costs	(1,394)	1,394				–
Acquisition of property, plant and equipment	(1,201)	1,060				(141)
Deposits paid for acquisition of property, plant and equipment	(106)	106				–
Advances to fellow subsidiaries	–	350	(3,246)			(2,896)
Proceeds on disposal of property, plant and equipment	492	(75)				417
Interest received	20	(3)				17
	<u>(2,189)</u>					<u>(2,603)</u>
Net cash used in investing activities						
<b>Financing activities</b>						
Repayments of bank borrowings	(84,400)	22,240				(62,160)
Interest paid	(1,540)	803				(737)
Repayments to fellow subsidiaries	–	53,077	(62,441)			(9,364)
Advance from immediate holding company	–	(66,518)	66,518			–
Bank borrowings raised	75,758	(11,979)				63,779
Proceeds from loans to trade bills discounted with recourse	9,767	(6,079)				3,688
Net cash outflow from distribution in specie of shares in a subsidiary	–	(8,719)				(8,719)
	<u>(415)</u>					<u>(13,513)</u>
Net cash used in financing activities						

## APPENDIX V

## UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

	The Group	Pro forma adjustments					The Remaining Group
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	Note 1	Note 7	Note 8	Note 9	Note 6		
<b>Net decrease in cash and cash equivalents</b>	(4,825)						(9,036)
<b>Cash and cash equivalents at beginning of the year</b>	15,849						15,849
<b>Effect of foreign exchange rate changes</b>	631	(717)					(86)
<b>Cash and cash equivalents at end of the year</b>	<u>11,655</u>						<u>6,727</u>
<b>Represented by:</b>							
Bank balances and cash	14,438	(5,522)			(1,242)		7,674
Bank overdrafts	<u>(2,783)</u>	1,836					<u>(947)</u>
	<u>11,655</u>						<u>6,727</u>

### NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

- Figures are extracted from the audited consolidated financial statements of the Group as set out in the 2017 Annual Report.
- The adjustment reflects the exclusion of assets and liabilities of the Privateco Group, assuming the Group Reorganisation and Distribution In Specie had taken place on 31 December 2017. Figures are extracted from the accountants' report on historical financial information of the Privateco Group included in Appendix III to the Circular.
- The adjustment reflects the restatement of inter-company balances among the Remaining Group and Privateco Group and the related translation reserve, assuming the transactions had taken place on 31 December 2017. Figures are extracted from the audited financial statements or unaudited management accounts of respective companies within the Remaining Group and Privateco Group for the year ended 31 December 2017.
- The adjustment reflects the reclassification of the balance due from the Privateco Group to the Remaining Group arising in the normal and ordinary course of business as at 31 December 2017, assuming the Group Reorganisation and Distribution In Specie had taken place on 31 December 2017.
- The adjustment reflects the capitalisation of the net balance due from the Privateco Group to the Remaining Group of US\$71,000,000 by issuing 1 share in the Privateco of US\$0.001 each (after the subdivision of each Privateco Share of par value of US\$1.00 in the authorised shares of Privateco into 1,000 Privateco Shares of par value of US\$0.001 each) such that there will not be any indebtedness or other non-trade related liabilities between the Remaining Group and the Privateco Group, assuming the Group Reorganisation and Distribution In Specie had taken place on 31 December 2017.

6. The adjustment reflects the estimated restructuring costs for the Remaining Group of approximately US\$1,242,000, which will be recognised in profit or loss, assuming the estimated restructuring costs were paid on 31 December 2017. The estimated amounts are subject to changes.

This adjustment is not expected to have continuing effect on the Remaining Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

7. The adjustment reflects the exclusion of the income and expenses and cash flows of the Privateco Group, assuming the Group Reorganisation and Distribution In Specie had taken place on 1 January 2017. Figures are extracted from the accountants' report on historical financial information of the Privateco Group included in Appendix III to the Circular.
8. The adjustment reflects the restatement of inter-company transactions among the Remaining Group and the Privateco Group, assuming the transactions had taken place on 1 January 2017. Figures are extracted from the audited financial statements or unaudited management accounts of respective companies within the Remaining Group and Privateco Group for the year ended 31 December 2017.
9. The adjustment reflects the pro forma loss on the Distribution In Specie of US\$12,218,000, representing the difference between the fair value and the carrying amount of the assets and liabilities and non-controlling interests of the Privateco Group on 1 January 2017 distributed, taking into account the release of translation reserve accumulated in equity to profit or loss.

This adjustment is not expected to have continuing effect on the Remaining Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

10. Except for the Group Reorganisation and Distribution In Specie and provision of estimated amount paid for restructuring costs, no adjustment has been made to reflect any trading result or other transaction of the Remaining Group entered into subsequent to 31 December 2017. In particular, no adjustment has been made for the CB Subscription Completion in the unaudited pro forma financial information as the Group Reorganisation and Distribution In Species are not conditional upon the CB Subscription Completion.

**B. ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.*

**Deloitte.****德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF  
UNAUDITED PRO FORMA FINANCIAL INFORMATION**

TO THE DIRECTORS OF TECHCOMP (HOLDINGS) LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Techcomp (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2017, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2017 and related notes as set out on pages V-1 to V-9 of the circular issued by the Company dated 29 June 2018 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages V-1 to V-9 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Group Reorganisation and Distribution In Specie (as defined in the Circular) on the Group's financial position as at 31 December 2017 and the Group's financial performance and cash flows for the year ended 31 December 2017 as if the transactions had taken place at 31 December 2017 and 1 January 2017, respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2017, on which an auditor's report have been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standards on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standards on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2017 or 1 January 2017 would have been as presented.



A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

29 June 2018

**A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE PRIVATECO GROUP**

The following is the Unaudited Pro Forma Financial Information of the Privateco Group as if the Group Reorganisation had completed on 31 December 2017 for the unaudited pro forma combined statement of financial position, and on 1 January 2017 for the unaudited pro forma combined statement of profit or loss and other comprehensive income and the unaudited pro forma combined statement of cash flows.

The Unaudited Pro Forma Financial Information of the Privateco Group should be read in conjunction with the audited combined statement of financial position of the Privateco Group as at 31 December 2017, and audited combined statement of profit or loss and other comprehensive income and audited combined statement of cash flows of the Privateco Group for the year ended 31 December 2017 as set out in the accountants' report on historical financial information of the Privateco Group (the "Accountants' Report") as set out in Appendix III to this circular, and other financial information included elsewhere in the circular.

The unaudited pro forma combined statement of financial position of the Privateco Group is prepared based on the combined statement of financial position of the Privateco Group as at 31 December 2017 as extracted from the Accountants' Report after making pro forma adjustments which are directly attributable to the Group Reorganisation and factually supportable, as if the Group Reorganisation had been completed on 31 December 2017.

The unaudited pro forma combined statement of profit or loss and other comprehensive income and the unaudited pro forma combined statement of cash flows of the Privateco Group are prepared based on the audited combined statement of profit or loss and other comprehensive income and the audited combined statement of cash flows of the Privateco Group for the year ended 31 December 2017 as extracted from the Accountants' Report after making pro forma adjustments which are directly attributable to the Group Reorganisation and factually supportable, as if the Group Reorganisation had been completed on 1 January 2017.

The Unaudited Pro Forma Financial Information of the Privateco Group has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules to illustrate the possible outcome relating to the Group Reorganisation. It is prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Privateco Group upon completion of the Group Reorganisation as at 31 December 2017 or any future date, or the financial performance and cash flows of the Privateco Group upon the completion of the Group Reorganisation for the year ended 31 December 2017 or any future period.

## APPENDIX VI

## UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

### UNAUDITED PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	The Privateco Group	Pro forma adjustments				The Pro forma Privateco Group
	US\$'000 Note 1	US\$'000 Note 2	US\$'000 Note 3	US\$'000 Note 4		US\$'000
<b>Non-current assets</b>						
Property, plant and equipment	9,894					9,894
Goodwill	1,347					1,347
Other intangible assets	4,362					4,362
Deposits paid for acquisition of property, plant and equipment	910					910
Other assets	534					534
Deferred tax assets	16					16
	<u>17,063</u>					<u>17,063</u>
<b>Current assets</b>						
Inventories	32,266					32,266
Trade and other receivables	23,292					23,292
Amounts due from group companies	1,892		(1,892)			–
Tax recoverable	364					364
Bank balances and cash	5,522			(200)		5,322
	<u>63,336</u>					<u>61,244</u>
<b>Current liabilities</b>						
Trade and other payables	12,404	4,410				16,814
Amounts due to group companies	77,302	(4,410)	(72,892)			–
Tax payable	58					58
Bank borrowings – due within one year	13,686					13,686
Bank overdrafts	1,836					1,836
	<u>105,286</u>					<u>32,394</u>
<b>Net current (liabilities) assets</b>	<u>(41,950)</u>					<u>28,850</u>
<b>Total assets less current liabilities</b>	<u>(24,887)</u>					<u>45,913</u>
<b>Non-current liabilities</b>						
Bank borrowings – due after one year	3,150					3,150
Retirement benefit plan	1,192					1,192
Deferred tax liabilities	146					146
	<u>4,488</u>					<u>4,488</u>
<b>Net (liabilities) assets</b>	<u>(29,375)</u>					<u>41,425</u>
<b>Capital and reserves</b>						
Share capital	1,549		–			1,549
Reserves	(29,689)		71,000	(200)		41,111
Equity attributable to owners of the Privateco	(28,140)					42,660
Non-controlling interests	(1,235)					(1,235)
<b>(Deficiency in) balance of total equity</b>	<u>(29,375)</u>					<u>41,425</u>

**APPENDIX VI****UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE PRIVATECO GROUP****UNAUDITED PRO FORMA COMBINED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2017

	<b>The Privateco Group</b> <i>US\$'000</i> <i>Note 1</i>	<b>Pro forma adjustment</b> <i>US\$'000</i> <i>Note 4</i>	<b>The Pro forma Privateco Group</b> <i>US\$'000</i>
Revenue	81,638		81,638
Cost of sales	(52,401)		(52,401)
Gross profit	29,237		29,237
Other income, gains and losses	1,359		1,359
Selling and distribution expenses	(8,335)		(8,335)
Administrative expenses	(21,847)	(200)	(22,047)
Research and development costs	(3,208)		(3,208)
Finance costs	(803)		(803)
Loss before taxation	(3,597)		(3,797)
Taxation	(28)		(28)
Loss for the year	(3,625)		(3,825)
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss:</i>			
Recognition of actuarial loss on defined benefit plan	(723)		(723)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations	1,568		1,568
Other comprehensive income for the year	845		845
Total comprehensive expense for the year	(2,780)		(2,980)
Loss for the year attributable to:			
Owners of the Privateco	(3,276)	(200)	(3,476)
Non-controlling interests	(349)		(349)
	(3,625)		(3,825)
Total comprehensive expense for the year attributable to:			
Owners of the Privateco	(2,438)	(200)	(2,638)
Non-controlling interests	(342)		(342)
	(2,780)		(2,980)

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**APPENDIX VI**

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**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE PRIVATECO GROUP**

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**UNAUDITED PRO FORMA COMBINED STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31 DECEMBER 2017

	<b>The Privateco Group</b> <i>US\$'000</i> <i>Note 1</i>	<b>Pro forma adjustment</b> <i>US\$'000</i> <i>Note 4</i>	<b>The Pro forma Privateco Group</b> <i>US\$'000</i>
<b>Operating activities</b>			
Loss before taxation	(3,597)	(200)	(3,797)
Adjustments for:			
Depreciation of property, plant and equipment	876		876
Amortisation of other intangible assets	1,578		1,578
Interest income	(3)		(3)
Interest expenses	803		803
Allowance for doubtful debts	487		487
Gain on disposal of property, plant and equipment	(51)		(51)
Impairment loss recognised in respect of goodwill	847		847
Write-off of other intangible assets	57		57
Allowance for inventories	116		116
Operating cash inflow before movements			
in working capital	1,113		913
Increase in inventories	(2,920)		(2,920)
Increase in trade and other receivables	(6,000)		(6,000)
Decrease in trade and other payables	(3,326)		(3,326)
Cash used in operations	(11,133)		(11,333)
PRC Enterprise Income Tax paid	(241)		(241)
Net cash used in operating activities	(11,374)		(11,574)
<b>Investing activities</b>			
Payment for product development costs	(1,394)		(1,394)
Acquisition of property, plant and equipment	(1,060)		(1,060)
Deposits paid for acquisition of property, plant and equipment	(106)		(106)
Proceeds on disposal of property, plant and equipment	75		75
Advances to fellow subsidiaries	(350)		(350)
Interest received	3		3
Net cash used in investing activities	(2,832)		(2,832)

**APPENDIX VI****UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE PRIVATECO GROUP**

	<b>The Privateco Group</b> <i>US\$'000</i> <i>Note 1</i>	<b>Pro forma adjustment</b> <i>US\$'000</i> <i>Note 4</i>	<b>The Pro forma Privateco Group</b> <i>US\$'000</i>
<b>Financing activities</b>			
Repayments to fellow subsidiaries	(53,077)		(53,077)
Bank borrowings raised	11,979		11,979
Proceeds from loans to trade bills discounted with recourse	6,079		6,079
Advance from immediate holding company	66,518		66,518
Repayments of bank borrowings	(22,240)		(22,240)
Interest paid	(803)		(803)
Net cash from financing activities	8,456		8,456
<b>Net decrease in cash and cash equivalents</b>	(5,750)		(5,950)
<b>Cash and cash equivalents at beginning of the year</b>	8,719		8,719
<b>Effect of foreign exchange rate changes</b>	717		717
<b>Cash and cash equivalents at end of the year</b>	3,686		3,486
<b>Represented by:</b>			
Bank balances and cash	5,522	(200)	5,322
Bank overdrafts	(1,836)		(1,836)
	3,686		3,486

**NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

1. Figures are extracted from the accountants' report on historical financial information of the Privateco Group included in Appendix III to the Circular.
2. The adjustment reflects the reclassification of the balance due from the Privateco Group to the Remaining Group arising in the normal and ordinary course of business as at 31 December 2017, assuming the Group Reorganisation had taken place on 31 December 2017.
3. The adjustment reflects the capitalisation of the net balance due from the Privateco Group to the Remaining Group of US\$71,000,000 by issuing 1 share in the Privateco of US\$0.001 each (after the subdivision of each Privateco Share of par value of US\$1.00 in the authorised shares of Privateco into 1,000 Privateco Shares of par value of US\$0.001 each) such that there will not be any indebtedness or other non-trade related liabilities between the Remaining Group and the Privateco Group, assuming the Group Reorganisation had taken place on 31 December 2017.
4. The adjustment reflects the estimated restructuring costs for the Privateco Group of approximately US\$200,000, which will be recognised in profit or loss, assuming the estimated restructuring costs were paid on 31 December 2017. The estimated amounts are subject to changes.

This adjustment is not expected to have continuing effect on the Privateco Group's combined statement of profit or loss and other comprehensive income and combined statement of cash flows.

5. Except for the Group Reorganisation and provision of estimated amount paid for restructuring costs, no adjustment has been made to reflect any trading result or other transaction of the Privateco Group entered into subsequent to 31 December 2017.

**B. ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.*

**Deloitte.****德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF  
UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF TECHCOMP (HOLDINGS) LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Techcomp Instrument Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Privateco Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma combined statement of financial position as at 31 December 2017, the unaudited pro forma combined statement of profit or loss and other comprehensive income for the year ended 31 December 2017, the unaudited pro forma combined statement of cash flows for the year ended 31 December 2017 and related notes as set out on pages VI-1 to VI-6 of the circular issued by the Company dated 29 June 2018 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages VI-1 to VI-6 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Group Reorganisation (as defined in the Circular) on the Privateco Group's financial position as at 31 December 2017 and the Privateco Group's financial performance and cash flows for the year ended 31 December 2017 as if the transactions had taken place at 31 December 2017 and 1 January 2017, respectively. As part of this process, information about the Privateco Group's financial position, financial performance and cash flows has been extracted by the Directors from the Privateco Group's historical financial information of each of the three year ended 31 December 2017, on which an accountants' report set out in Appendix III to the Circular has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").



**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standards on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standards on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Privateco Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2017 or 1 January 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Privateco Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Privateco Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

29 June 2018

*The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 30 April 2018 of the real properties located in Hong Kong, the People's Republic of China and Switzerland.*

## **BMI APPRAISALS**

BMI Appraisals Limited 中和邦盟評估有限公司

33/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong

香港灣仔港灣道6-8號瑞安中心33樓

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29 June 2018

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Mita Centre

Nos. 552-566 Castle Peak Road

Kwai Chung,

New Territories

Hong Kong

Dear Sirs,

### **INSTRUCTIONS**

We refer to the instructions from Techcomp (Holdings) Limited (the “**Company**”) for us to value the real properties held by the Company and/or its subsidiaries (together referred to as the “**Group**”) located in Hong Kong, the People's Republic of China (the “**PRC**”) and Switzerland. We confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the real properties as at 30 April 2018 (the “**valuation date**”).

### **BASIS OF VALUATION**

Our valuations of the real properties have been based on the Market Value, which is defined by The Hong Kong Institute of Surveyors as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”. The Market Value is also understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

**PROPERTY CATEGORIZATION**

In the course of our valuations, the real properties are categorized into the following groups:

Group I	–	Real property held by the Group for owner-occupation in Hong Kong
Group II	–	Real properties held by the Group for owner-occupation in the PRC
Group III	–	Real property held by the Group for owner-occupation in Switzerland

**VALUATION METHODOLOGY**

In valuing the real properties, we have valued them on market basis by the Comparison Approach assuming sale in their existing states with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market. Appropriate adjustments have then been made to account for the differences between the properties and the comparables in terms of floor level, location, size, floor level, time and other relevant factors.

**TITLE INVESTIGATION**

For the real property located in Hong Kong, we have caused land search to be made at the Land Registry and have been provided with copies of title document. We have been advised by the Company that no further relevant documents have been produced. However, we have neither examined the original documents to verify ownership nor to ascertain the existence of any amendments, which do not appear on the copies handed to us. All documents have been used for reference only.

For the real properties located in the PRC and Switzerland, we have been provided with copies of title documents. Where possible, we have examined the original documents to verify ownership or to ascertain the existence of any amendment documents. In the course of our valuations of real properties in the PRC, we have also relied upon the advice and information given by the Group's PRC legal adviser – DeHeng Law Offices regarding the titles of the real properties. All documents have been used for reference only.

**VALUATION ASSUMPTIONS**

Our valuations have been made on the assumption that the real properties are sold in the market in their existing states without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the values of the real properties.

In addition, no account has been taken of any option or right of pre-emption concerning or effecting sale of the real properties and no forced sale situation in any manner is assumed in our valuations.

For the real properties located in the PRC, we have further assumed that the transferable land use rights in respect of the real properties at nominal annual land use fee have been granted and that any premium payable has already been fully settled.

### **VALUATION CONSIDERATIONS**

The real properties were inspected by Ms. Ellen Lo (BSc Valuation & Estate Management) during the period between August 2017 and May 2018. We have inspected the real properties externally and where possible, the interior of the real properties. In the course of our inspections, we did not note any serious defects. However, no structural surveys have been made. We are, therefore, unable to report whether the real properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

In the course of our valuations, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, site/floor areas, identification of the real properties and any other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the real properties but have assumed that the site/floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on your confirmation that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowances have been made in our valuations for any charges, mortgages or amounts owing on the real properties or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Unless otherwise stated, it is assumed that the real properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

For the purpose of compliance with Rule 11.3 of The Code on Takeovers and Mergers and as advised by the Group, the potential tax liabilities which may arise from the sale of the real properties include:

***Hong Kong***

- (i) Profits Tax: 8.25% on assessable profits up to HK\$2,000,000; and 16.5% on any part of assessable profits over HK\$2,000,000; and
- (ii) Stamp Duty at progressive rates from 1.5% to 8.5% on the transaction amount (of which both the seller and the buyer are jointly and severally liable).

***The PRC***

- (i) Value-added Tax ("VAT") (as the real properties are all owned by the Group before the implementation of VAT, a simplified taxation method, which is 5% VAT rate, is expected to be used) plus other surcharge at approximately 11% of VAT;
- (ii) Stamp Duty at 0.05% on the transaction amount;
- (iii) Land Appreciation Tax at progressive rates from 30% to 60% on the appreciation in real property value;
- (iv) Enterprise Income Tax at 25% on gain; and
- (v) Withholding Tax at 10% if the net proceeds (minus taxes and statutory contributions) are repatriated outside the PRC as dividends (reduced to 5% if the Hong Kong-PRC double tax arrangement applies).

***Switzerland***

- (i) Capital Gains Tax usually progressive and the longer the real property is owned, the lower the taxes. A shorter owning period would require a surcharge and both cantonal and municipal levels are applicable.
  - The standard rate is applicable after the holding period of four to five years. The top burden usually ranges from 25% to 50%.
  - Tax is gradually reduced after exceeding the four to five years of ownership. The maximum relief allowed is 50% to 70% of the payable tax.
  - A surcharge of up to 50% of the normal tax may be imposed on short term gains i.e. real properties sold within the first four or five years.
- (ii) Property Tax usually ranges from 0.05% to 0.3%, levied on the value of the real property.

The likelihood of the potential tax liability being crystallized is remote as the Company has no intention to dispose of its real property interests.

Our valuations have been prepared in accordance with The HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors and the International Valuation Standards (IVS) published by The International Valuation Standards Council.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

#### **REMARKS**

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong Dollars (HK\$) and no allowances have been made for any exchange transfers. The exchange rates adopted as at the valuation date are HK\$1=RMB0.8079 and HK\$1=CHF0.1262.

Our Summary of Values and the Valuation Certificates are attached herewith.

Yours faithfully,

For and on behalf of

**BMI APPRAISALS LIMITED**

**Joannau W. F. Chan**

*BSc., MSc., MRICS, MHKIS, RPS(GP)*

**Senior Director**

*Note:*

Ms. Joannau W. F. Chan is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 25 years' experience in valuations of real properties in Hong Kong, over 19 years' experience in valuations of real properties in the People's Republic of China and over 8 years' experience in valuations of real properties in Switzerland.

## SUMMARY OF VALUES

No.	Real Property	Market Value in existing state as at 30 April 2018 HK\$
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**Group I – Real Property held by the Group for owner-occupation in Hong Kong**

1.	6 <sup>th</sup> Floor, Mita Center, Nos. 552-566 Castle Peak Road, Kwai Chung, New Territories, Hong Kong	79,600,000
<b>Sub-total:</b>		<b>79,600,000</b>

**Market Value  
in existing state  
as at 30 April 2018  
RMB**

**Group II – Real properties held by the Group for owner-occupation in the PRC**

2.	Units 901-902 on 9 <sup>th</sup> Floor, Hualin Building, No. 190 Caoxi Road, Xuhui District, Shanghai City, the PRC	No Commercial Value
3.	Block 16, No. 201 Minyi Road, Songjiang District, Shanghai City, the PRC	45,100,000
<b>Sub-total:</b>		<b>45,100,000</b>

**Market Value  
in existing state  
as at 30 April 2018  
CHF**

**Group III – Real Property held by the Group for owner-occupation in Switzerland**

4.	A factory building with office located at Moosmattstrasse 32, 8953 Dietikon, Switzerland	5,600,000
<b>Sub-total:</b>		<b>5,600,000</b>



## VALUATION CERTIFICATE

*Group I – Real property held by the Group for owner-occupation in Hong Kong*

No.	Real property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 April 2018 HK\$
1.	6 <sup>th</sup> Floor, Mita Center, 552-566 Castle Peak Road, Kwai Chung, New Territories, Hong Kong  307/4,850 <sup>th</sup> equal and undivided shares of and in Kwai Chung Town Lot No. 364	The real property comprises 12 industrial units on the 6 <sup>th</sup> Floor of a 17-storey industrial building which was completed in about 1983.  The total gross floor area of the real property is approximately 27,370 sq.ft. (or about 2,542.7 sq.m.) whereas its total saleable area is approximately 22,705 sq.ft. (or about 2,109.3 sq.m.).  The real property is held under New Grant No. 5527 for a term of 99 years commencing on 1 July 1898, which is renewed for a further term of 50 years expiring on 30 June 2047.	The real property is occupied by the Group for industrial use.	79,600,000

**Notes:**

1. The real property is located in Kwai Chung District of New Territories, which is about 10 minutes' driving distance to the MTR Kwai Hing Station. The immediate locality is an industrial area.
2. The registered owner of the real property is Techcomp Limited vide Memorial No. TW1603388 dated 4 October 2004.
3. The real property is subject to the following material encumbrances:
  - a) Legal Charge/Mortgage in favour of Standard Chartered Bank (Hong Kong) Limited vide Memorial No. TW1618645 dated 30 December 2004; and
  - b) Deed of Confirmatory vide Memorial No. 13051602480021 dated 8 March 2013.
4. Techcomp Limited is an indirect wholly-owned subsidiary of the Company.

## VALUATION CERTIFICATE

*Group II – Real properties held by the Group for owner-occupation in the PRC*

No.	Real property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 April 2018 RMB
2.	Units 901-902 on 9 <sup>th</sup> Floor, Hualin Building, No. 190 Caoxi Road, Xuhui District, Shanghai City, the PRC  中國 上海市 徐匯區 漕溪路190號 田林東路 華林大樓901-902室	The real property comprises 2 office units on the 9 <sup>th</sup> Floor of a 12-storey office building plus a basement which was completed in about 1993.  The total gross floor area ("GFA") of the real property is approximately 647.22 sq.m. (or about 6,967 sq.ft.). The GFA of the constituent units are tabulated as below:	As advised by the Group, Unit 902 is subject to a tenancy for a term expiring on 15 October 2020 at a monthly rent of RMB17,925.08 exclusive of management fee, whilst Unit 901 is occupied by the Group for office use.	No Commercial Value
		<b>Unit</b>	<b>GFA</b> sq.m.	
		901	368.88	
		902	278.34	
		<b>Total:</b>	<b>647.22</b>	

The land use rights of the real property have been allocated for office use.

**Notes:**

1. The real property is located in Xuhui District of Shanghai City, which is about 30 minutes' driving distance to the Shanghai Hongqiao International Airport. The immediate locality is a mixture of commercial and residential area.
2. Pursuant to a Shanghai Certificate of Real Estate Ownership (上海市房地產權證), Hu Fang Di Xu Zi (2008) Di No. 12634 (滬房地徐字(2008)第12634號), issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) dated 24 June 2008, the land use rights of the real property with a site area of approximately 130.7 sq.m. have been allocated to Shanghai Techcomp Instrument Ltd. ("**Shanghai Techcomp Instrument**") for office use.
3. As per annex to the Shanghai Certificate of Real Estate Ownership (上海市房地產權證), Hu Fang Di Xu Zi (2008) Di No. 12634 (滬房地徐字(2008)第12634號), the GFA of the respective units are 368.88 sq.m. and 278.34 sq.m.
4. In the course of our valuation, we have attributed no commercial value to the real property as the nature of land use rights of the real property is allocated land and the real property cannot be freely transferred, leased, mortgaged or disposed of in the market.
5. The opinion given by the PRC legal adviser – DeHeng Law Offices (北京德恒律師事務所) contains, *inter alia*, the following:
  - a. The land use rights of the real property is allocated land. The land use rights together with the buildings erected thereon should be transferred, leased, mortgaged and granted with the prior approval from the People's Government and payment of land premiums; and
  - b. The real property is not subject to any encumbrances.
6. Shanghai Techcomp Instrument is an indirect wholly-owned subsidiary of the Company.

## VALUATION CERTIFICATE

			Particulars	Market Value														
No.	Real property	Description and tenure	of occupancy	in existing state as at 30 April 2018														
				RMB														
3.	Block 16, No. 201 Minyi Road, Songjiang District, Shanghai City, the PRC  中國 上海市 松江區 民益路201號 16幢	<p>The real property comprises a land parcel with a site area of approximately 88,077 sq.m. (or about 948,061 sq.ft.) upon which a 5-storey industrial building completed in about 2005 was erected.</p> <p>The total gross floor area (“GFA”) of the real property is approximately 10,256.69 sq.m. (or about 110,403 sq.ft.). The GFA of the constituent floors are tabulated as below:</p> <table><tr><th>Floor level</th><th>GFA sq.m.</th></tr><tr><td>1<sup>st</sup> Floor</td><td>2,192.18</td></tr><tr><td>2<sup>nd</sup> Floor</td><td>2,214.83</td></tr><tr><td>3<sup>rd</sup> Floor</td><td>2,214.83</td></tr><tr><td>4<sup>th</sup> Floor</td><td>2,214.83</td></tr><tr><td>5<sup>th</sup> Floor</td><td>1,420.02</td></tr><tr><td>Total:</td><td>10,256.69</td></tr></table>	Floor level	GFA sq.m.	1 <sup>st</sup> Floor	2,192.18	2 <sup>nd</sup> Floor	2,214.83	3 <sup>rd</sup> Floor	2,214.83	4 <sup>th</sup> Floor	2,214.83	5 <sup>th</sup> Floor	1,420.02	Total:	10,256.69	<p>The real property is occupied by the Group for manufacturing use.</p>	<p>45,100,000</p> <p><i>in HK\$</i></p> <p>55,820,000</p>
Floor level	GFA sq.m.																	
1 <sup>st</sup> Floor	2,192.18																	
2 <sup>nd</sup> Floor	2,214.83																	
3 <sup>rd</sup> Floor	2,214.83																	
4 <sup>th</sup> Floor	2,214.83																	
5 <sup>th</sup> Floor	1,420.02																	
Total:	10,256.69																	

The land use rights of the real property have been granted for a term commencing on 3 February 1997 and expiring on 28 August 2044 for industrial use.

**Notes:**

1. The real property is located in Songjiang District of Shanghai City, which is about 30 minutes' driving distance to the Shanghai Hongqiao International Airport. The immediate locality is an industrial area.
2. Pursuant to a Shanghai Certificate of Real Estate Ownership (上海市房地產權證), Hu Fang Di Song Zi (2006) Di No. 24672 (滬房地松字(2006)第24672號), issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) dated 18 September 2006, the land use rights and building ownership rights of the 1<sup>st</sup> and 2<sup>nd</sup> floors of the real property with a total GFA of approximately 4,407.01 sq.m. are legally vested in Shanghai Techcomp Bio-Equipment for a term expiring on 28 August 2044.
3. Pursuant to a Shanghai Certificate of Real Estate Ownership (上海市房地產權證), Hu Fang Di Song Zi (2007) Di No. 16516 (滬房地松字(2007)第16516號), issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) dated 18 June 2007, the land use rights and building ownership rights of the 3<sup>rd</sup> to 5<sup>th</sup> floors of the real property with a total GFA of approximately 5,849.68 sq.m. are legally vested in Shanghai Techcomp Instrument for a term expiring on 28 August 2044.
4. The opinion given by the PRC legal adviser – DeHeng Law Offices (北京德恒律師事務所) contains, *inter alia*, the following:
  - a. The land use rights and building ownership rights of the real property are legally vested in Shanghai Techcomp Bio-Equipment and Shanghai Techcomp Instrument;
  - b. Within the term specified in the Shanghai Certificates of Real Estate Ownership, Shanghai Techcomp Bio-Equipment and Shanghai Techcomp Instrument are legally entitled to transfer, lease and mortgage the real property without further approval and authorization from the government authority or payment of land premium;
  - c. The land premium has been fully settled; and
  - d. The real property is not subject to any encumbrances.
5. Shanghai Techcomp Bio-Equipment and Shanghai Techcomp Instrument are both indirect wholly-owned subsidiaries of the Company.

## VALUATION CERTIFICATE

*Group III – Real property held by the Group for owner-occupation in Switzerland*

No.	Real property	Description and tenure	Particulars of occupancy	Market Value
				in existing state as at 30 April 2018
				CHF
4.	A factory building with office located at Moosmattstrasse 32, 8953 Dietikon, Switzerland	The real property comprises a detached 5-storey composite building with outdoor car parking spaces which was completed in about 1992.	The real property is occupied by the Group for production and office uses.	5,600,000
				in HK\$
				44,370,000

The gross floor area ("GFA") of the real property is approximately 3,800 sq.m. (or about 40,903 sq.ft.) The GFA of the constituent floors are tabulated as below:

Floor Level	GFA sq.m.
Underground	185
Ground Floor	1,010
1 <sup>st</sup> Floor	350
2 <sup>nd</sup> Floor	1,115
3 <sup>rd</sup> Floor	570
4 <sup>th</sup> Floor	570
<b>Total:</b>	<b>3,800</b>

The land use rights of the real property are held under freehold interest for industrial use.

The annual ground rent for the building rights of the real property expiring on 26 January 2050 is CHF 23,667.

**Notes:**

1. The real property is located in Dietikon District of Switzerland, which is about 20 minutes' driving distance to the Zurich Airport. The immediate locality is an industrial area.
2. Pursuant to a Sale and Purchase Contract entered into between Personalvorsorgestiftung der Precisa instruments AG and Precisa Real Estate AG dated 24 November 2010, the former agreed to transfer the real property to the latter at a consideration of CHF4,304,000.
3. The registered owner of the real property is Precisa Real Estate AG according to registration record in Land Registry Dietikon dated 7 December 2010.
4. Precisa Real Estate AG is an indirect wholly-owned subsidiary of the Company.

Set out below is a summary of certain provisions of the amended and restated memorandum of association (“**Memorandum**”) and the amended and restated articles of association (“**Articles**”) of Privateco and of certain aspects of BVI company law.

Privateco was incorporated in BVI under the International Business Companies Act (Cap. 291) (the “**IBC Act**”) and automatically re-registered under BVI Business Companies Act, 2004 (as amended) (the “**BVI BC Act**”). Privateco's constitutional documents consist of the Memorandum and the Articles.

The Memorandum and Articles were adopted by way of the sole shareholder's resolutions dated 9 May 2018 and filed with the Registrar of Corporate Affairs in BVI on 15 May 2018. A summary of certain provisions of the Memorandum and Articles is set out below.

**(a) Limited liability; capacity and powers of Privateco**

The Memorandum provides, *inter alia*, that the liability of members of Privateco is limited and that subject to BVI BC Act and any other BVI legislation, Privateco has full capacity to carry on or undertake any business or activity, do any act or enter into any transaction.

**(b) Amendment of the Memorandum and Articles**

By a Resolution of Shareholders (as defined in (f)(i) below) or a Resolution of Directors (as defined in (d)(ix) below) Privateco may amend the Memorandum or the Articles, save that no amendment may be made by a Resolution of Directors to restrict the rights or powers of the shareholders to amend the Memorandum or the Articles or the clauses relating to the rights attached to the shares set out in the Memorandum.

**(c) Shares**

**(i) Classes of shares**

The authorised shares of Privateco consists of shares of a single class.



**(ii) Variation of rights of existing shares or classes of shares**

The following rights attached to each share of Privateco may only, whether or not Privateco is being wound up, be varied with the consent in writing of or by a resolution passed at a meeting by the holders of more than 50 per cent of the issued shares of that class:

- (a) the right to one vote at a meeting of the shareholders or on any Resolution of Shareholders;
- (b) the right to an equal share in any Distribution (which is defined in the Memorandum to mean the direct or indirect transfer of an asset, other than shares, to or for the benefit of the shareholder in relation to shares held by a shareholder, and whether by means of a purchase of an asset, the redemption or other acquisition of shares, a distribution of indebtedness or otherwise, and includes a dividend) paid by Privateco; and
- (c) the right to an equal share in the distribution of the surplus assets of Privateco on its liquidation.

**(iii) Alteration of authorised shares**

There are no provisions in the Articles relating to the alteration of authorised shares of Privateco. However, subject to BVI BC Act, Privateco may amend its Memorandum to effect a change to the maximum number of shares Privateco is authorised to issue.

**(iv) Transfer of shares**

Shares may be transferred by a written instrument of transfer signed by the transferor and containing the name and address of the transferee, which shall be sent to Privateco at the office of its registered agent for registration. Privateco shall, on receipt of an instrument of transfer complying with the Articles, enter the name of the transferee of a share in the register of members of Privateco, unless the directors resolve to refuse or delay the registration of the transfer because the shareholder has failed to pay an amount due in respect of the share.

The transfer of a share is effective when the name of the transferee is entered on the register of members.

**(v) Power of Privateco to purchase its own shares**

Privateco may purchase, redeem or otherwise acquire and hold its own shares save that Privateco may not purchase, redeem or otherwise acquire its own shares without the consent of shareholders whose shares are to be purchased, redeemed or otherwise acquired unless Privateco is permitted by BVI BC Act or any other provision in the Memorandum or Articles to purchase, redeem or otherwise acquire the shares without their consent.

**(vi) Power of any subsidiary of Privateco to own shares in Privateco**

Where shares of Privateco are held by another body corporate of which Privateco holds directly or indirectly shares having more than 50 per cent of the votes in the election of directors of the other body corporate, all rights and obligations attaching to the shares of Privateco held by the other body corporate are suspended and shall not be exercised by the other body corporate.

**(vii) Calls on shares and forfeiture of shares**

Shares that are not fully paid on issue are subject to the forfeiture provisions set forth in the Articles and for this purpose shares issued for a promissory note or a contract for future services are deemed to be not fully paid.

A written notice of call specifying the date for payment to be made shall be served on the shareholder who defaults in making payment in respect of the shares, and shall name a further date not earlier than the expiration of 14 days from the date of service of the notice on or before which the payment required by the notice is to be made and shall contain a statement that in the event of non-payment at or before the time named in the notice the shares, or any of them, in respect of which payment is not made will be liable to be forfeited.

Where such written notice of call has been issued and the requirements of the notice have not been complied with, the directors may, at any time before tender of payment, forfeit and cancel the shares to which the notice relates.

Privateco is under no obligation to refund any moneys to the shareholder whose shares have been cancelled pursuant to the forfeiture and that shareholder shall be discharged from any further obligation to Privateco.

**(d) Directors****(i) Appointment, retirement and removal**

The first directors of Privateco shall be appointed by the first registered agent within six months of the date of incorporation of Privateco; and thereafter, the directors shall be elected by Resolution of Shareholders or by Resolution of Directors for such term as the shareholders or directors determine. The minimum number of directors shall be one and the maximum number shall be twelve. A director is not required to hold a share as a qualification to office. No person shall be appointed as a director of Privateco unless he has consented in writing to act as a director. Each director holds office for the term, if any, fixed by the Resolution of Shareholders or Resolution of Directors appointing him, or until his earlier death, resignation or removal. If no term is fixed on the appointment of a director, the director serves indefinitely until his earlier death, resignation or removal.

A director may be removed from office,

- (a) with or without cause, by a Resolution of Shareholders passed at a meeting of Shareholders called for the purposes of removing the director or for purposes including the removal of the director or by a written resolution passed by at least seventy five per cent of the votes of the shareholders entitled to vote; or
- (b) with cause, by a Resolution of Directors passed at a meeting of directors called for the purpose of removing the director or for purposes including the removal of the director.

A director may resign his office by giving written notice of his resignation to Privateco and the resignation has effect from the date the notice is received by Privateco at the office of its registered agent or from such later date as may be specified in the notice. A director shall resign forthwith as a director if he is, or becomes, disqualified from acting as a director under BVI BC Act.

The directors may at any time appoint any person to be a director either to fill a vacancy or as an addition to the existing directors. Where the directors appoint a person as director to fill a vacancy, the term shall not exceed the term that remained when the person who has ceased to be a director ceased to hold office.

**(ii) Power to allot and issue shares**

Shares and other securities may be issued at such times, to such eligible individuals, corporations, trusts, the estates of deceased individuals, partnerships and unincorporated associations of persons, for such consideration and on such terms as the directors may by Resolution of Directors determine.

A share may be issued for consideration in any form, including money, a promissory note, real property, personal property (including goodwill and know-how) or a contract for future services.

No shares may be issued for a consideration other than money, unless a Resolution of Directors has been passed stating:

- (a) the amount to be credited for the issue of the shares;
- (b) their determination of the reasonable present cash value of the non-money consideration for the issue; and
- (c) that, in their opinion, the present cash value of the non-money consideration for the issue is not less than the amount to be credited for the issue of the shares.

**(iii) Power to dispose of the assets of Privateco or any of its subsidiaries**

While there are no specific provisions in the Articles relating to the disposal of the assets of Privateco or any of its subsidiaries, the directors of Privateco may exercise all powers and do all acts and things which may be exercised or done or approved by Privateco and which are not required by the Articles or BVI BC Act to be exercised or done by Privateco in general meeting, but if such power or act is regulated by Privateco in general meeting, such regulation shall not invalidate any prior act of the directors of Privateco which would have been valid if such regulation had not been made.

**(iv) Borrowing powers**

The directors may by Resolution of Directors exercise all the powers of Privateco to incur indebtedness, liabilities or obligations and to guarantee and/or secure indebtedness, liabilities or obligations whether of Privateco or of any third party.

**(v) Remuneration**

The directors may, by a Resolution of Directors, fix the emoluments of directors with respect to services to be rendered in any capacity to Privateco.

**(vi) Compensation or payments for loss of office**

There are no provisions in the Articles concerning the compensation or payments for a director's loss of office.

**(vii) Loans and provision of security for loans to Directors**

There are no provisions in the Articles concerning the loans and provision of security for loans to directors of Privateco.

**(viii) Disclosure of interest in contracts with Privateco or any of its subsidiaries**

A director of Privateco shall, forthwith after becoming aware of the fact that he is interested in a transaction entered into or to be entered into by Privateco, disclose the interest to all other directors of Privateco. A disclosure to all other directors to the effect that a director is a member, director or officer of another named entity or has a fiduciary relationship with respect to the entity or a named individual and is to be regarded as interested in any transaction which may, after the date of the entry or disclosure, be entered into with that entity or individual, is a sufficient disclosure of interest in relation to that transaction.

A director of Privateco who is interested in a transaction entered into or to be entered into by Privateco may:

- (a) vote on a matter relating to the transaction;
- (b) attend a meeting of directors at which a matter relating to the transaction arises and be included among the directors present at the meeting for the purposes of a quorum; and
- (c) sign a document on behalf of Privateco, or do any other thing in his capacity as a director, that relates to the transaction,

and, subject to compliance with BVI BC Act shall not, by reason of his office be accountable to Privateco for any benefit which he derives from such transaction and no such transaction shall be liable to be avoided on the grounds of any such interest or benefit.

**(ix) Proceedings of the Board**

The directors of Privateco or any committee thereof may meet at such times and in such manner and places within or outside the British Virgin Islands as the directors may determine to be necessary or desirable. A meeting of directors is duly constituted for all purposes if at the commencement of the meeting there are present in person or by alternate not less than one-half of the total number of directors, unless there are only two directors in which case the quorum is two. If Privateco has only one director the provisions in the Articles relating to meetings of directors do not apply and such sole director has full power to represent and act for Privateco in all matters as are not by BVI BC Act, the Memorandum or the Articles required to be exercised by the shareholders. In lieu of minutes of a meeting the sole director shall record in writing and sign a note or memorandum of all matters requiring a Resolution of Directors. Such a note or memorandum constitutes sufficient evidence of such resolution for all purposes.

A Resolution of Directors is defined in the Memorandum to mean either:

- (a) a resolution approved at a duly convened and constituted meeting of directors of Privateco or of a committee of directors of Privateco by the affirmative vote of a majority of the directors present at the meeting who voted except that where a director is given more than one vote, he shall be counted by the number of votes he casts for the purpose of establishing a majority, or
- (b) a resolution consented to in writing by all directors or by all members of a committee of directors of Privateco.

**(e) Alterations to Privateco's name**

To the extent that the same is permissible under BVI law and subject to the Memorandum, the Memorandum and the Articles may be altered or amended, and the name of Privateco may be changed, by a Resolution of Shareholders or by a Resolution of Directors.

**(f) Meetings of member****(i) Special and ordinary resolutions**

A Resolution of Shareholders is defined in the Memorandum to mean either:

- (a) a resolution approved at a duly convened and constituted meeting of the shareholders by the affirmative vote of a majority of the votes of the shares entitled to vote thereon which were present at the meeting and were voted; or
- (b) a resolution consented to in writing by the holders of a majority of the votes of shares entitled to vote thereon.

There are no provisions in the Articles relating to the special resolutions of shareholders.

**(ii) Voting rights and right to demand a poll**

The Memorandum provides that each share of Privateco confers upon the shareholder the right to one vote at a meeting of the shareholders or on any Resolution of Shareholders.

At any meeting of the shareholders the chairman is responsible for deciding in such manner as he considers appropriate whether any resolution proposed has been carried or not and the result of his decision shall be announced to the meeting and recorded in the minutes of the meeting. If the chairman has any doubt as to the outcome of the vote on a proposed resolution, he shall cause a poll to be taken of all votes cast upon such resolution. If the chairman fails to take a poll then any shareholder present in person or by proxy who disputes the announcement by the chairman of the result of any vote may immediately following such announcement demand that a poll be taken and the chairman shall cause a poll to be taken. If a poll is taken at any meeting, the result shall be announced to the meeting and recorded in the minutes of the meeting.

**(iii) Annual general meetings**

BVI BC Act does not require a company to hold an annual general meeting of shareholders. The Articles provide that any director of Privateco may convene meetings of the shareholders at such times and in such manner and places within or outside the British Virgin Islands as the director considers necessary or desirable.

**(iv) Notices of meetings and business to be conducted**

The director convening a meeting shall give not less than seven days' notice of a meeting of shareholders to:

- (a) those shareholders whose names on the date the notice is given appear as shareholders in the register of members of Privateco and are entitled to vote at the meeting; and
- (b) the other directors.

A meeting of shareholders held in contravention of the requirement to give notice is valid if shareholders holding at least 90 per cent of the total voting rights on all the matters to be considered at the meeting have waived notice of the meeting and, for this purpose, the presence of a shareholder at the meeting shall constitute waiver in relation to all the shares which that shareholder holds.

**(v) Quorum for meetings and separate class meetings**

A meeting of shareholders is duly constituted if, at the commencement of the meeting, there are present in person or by proxy not less than 50 per cent of the votes of the shares or class or series of shares entitled to vote on Resolutions of Shareholders to be considered at the meeting. A quorum may comprise a single shareholder or proxy and then such person may pass a Resolution of Shareholders and a certificate signed by such person accompanied where such person be a proxy by a copy of the proxy instrument shall constitute a valid Resolution of Shareholders.

A shareholder shall be deemed to be present at a meeting of shareholders if he participates by telephone or other electronic means and all shareholders participating in the meeting are able to hear each other.

If within two hours from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of shareholders, shall be dissolved; in any other case it shall stand adjourned to the next business day in the jurisdiction in which the meeting was to have been held at the same time and place or to such other time and place as the directors may determine, and if at the adjourned meeting there are present within one hour from the time appointed for the meeting in person or by proxy not less than one third of the votes of the Shares or each class or series of Shares entitled to vote on the matters to be considered by the meeting, those present shall constitute a quorum but otherwise the meeting shall be dissolved.

**(vi) Proxies**

A shareholder may be represented at a meeting of shareholders by a proxy who may speak and vote on behalf of the shareholder.

The instrument appointing a proxy shall be in substantially the form set out in the Articles or such other form as the chairman of the meeting shall accept as properly evidencing the wishes of the shareholder appointing the proxy, and shall be produced at the place designated for the meeting before the time for holding the meeting at which the person named in such instrument proposes to vote. The notice of the meeting may specify an alternative or additional place or time at which the proxy shall be presented.

The following applies where shares are jointly owned:

- (a) if two or more persons hold shares jointly each of them may be present in person or by proxy at a meeting of shareholders and may speak as a shareholder;



- (b) if only one of the joint owners is present in person or by proxy he may vote on behalf of all joint owners; and
- (c) if two or more of the joint owners are present in person or by proxy they must vote as one.

**(g) Accounts and audit**

Privateco shall keep records that are sufficient to show and explain Privateco's transactions and that will, at any time, enable the financial position of Privateco to be determined with reasonable accuracy. Privateco may by Resolution of Shareholders call for the directors to prepare periodically and make available a profit and loss account and a balance sheet. The profit and loss account and balance sheet shall be drawn up so as to give respectively a true and fair view of the profit and loss of Privateco for a financial period and a true and fair view of the assets and liabilities of Privateco as at the end of a financial period.

Privateco may also by Resolution of Shareholders call for the accounts to be examined by auditors. The auditor of Privateco shall have a right of access at all times to the books of account and vouchers of Privateco, and shall be entitled to require from the directors and officers of Privateco such information and explanations as he thinks necessary for the performance of the duties of the auditors. The auditors shall examine each profit and loss account and balance sheet required to be laid before a meeting of the shareholders or otherwise given to shareholders and shall state in a written report whether or not:

- (a) in their opinion the profit and loss account and balance sheet give a true and fair view respectively of the profit and loss for the period covered by the accounts, and of the assets and liabilities of Privateco at the end of that period; and
- (b) all the information and explanations required by the auditors have been obtained

The report of the auditors shall be annexed to the accounts and shall be read at the meeting of shareholders at which the accounts are laid before Privateco, or shall be otherwise given to the shareholders.

**(h) Dividends**

The directors of Privateco may, by Resolution of Directors, authorise a Distribution (including a dividend) at a time and of an amount they think fit if they are satisfied, on reasonable grounds, that, immediately after the distribution, the value of Privateco's assets will exceed its liabilities and Privateco will be able to pay its debts as they fall due. Distributions may be paid in money, shares, or other property. Notice of any distribution that may have been declared shall be given to each shareholder as specified in the Articles and all distributions unclaimed for three years after having been declared may be forfeited by Resolution of directors for the benefit of Privateco. No Distribution shall bear interest as against Privateco and no distribution shall be paid on the treasury shares of Privateco.

**(i) Inspection of corporate records**

There are no provisions in the Articles concerning the rights of the shareholders to inspect the corporate records of Privateco. However, the shareholders are entitled certain rights to inspect the corporate records of Privateco under BVI law, as summarized in paragraph 3(J) of this Appendix.

**(j) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of Privateco under BVI law, as summarized in paragraph 3(E) of this Appendix.

**(k) Procedures on liquidation**

Privateco may by a Resolution of Shareholders or by a Resolution of Directors appoint a voluntary liquidator.

**2. BRITISH VIRGIN ISLANDS COMPANY LAW**

Privateco was incorporated in BVI under the International Business Companies Act (Cap. 291) (the “**IBC Act**”) and automatically re-registered under BVI Business Companies Act, 2004 (as amended) (the “**BVI BC Act**”) and is subject to BVI law.

**(A) Shares**

There is no concept of authorised share capital, or of share capital, under BVI BC Act. The memorandum of association of a company limited by shares must set out:

- (i) either the maximum number of shares the company is authorised to issue or state that the company is authorised to issue an unlimited number of shares; and
- (ii) the classes of shares that the company is authorised to issue, and, if the company is authorised to issue two or more classes, the rights, privileges, restrictions and conditions attaching to each class of shares.

BVI BC Act provides that, subject to the memorandum and articles of association of a company, a share may be issued with or without a par value. Where a company issues shares with par value, the consideration for a share shall not be less than the par value of the share. A share may be issued for consideration in any form, including money, a promissory note, or other written obligation to contribute money or property, real property, personal property (including goodwill and know-how), services rendered or a contract for future services.

Subject to the memorandum and articles of association of a company, its directors have the power to issue shares of the company from time to time.

Subject to BVI BC Act and to a company's memorandum of association or the articles, shares may be issued, and options to acquire shares in a company granted, at such times, to such persons, for such consideration and on such terms as the directors may determine.

The issue by a company of a share that (i) increases a liability of a person, or (ii) imposes a new liability on a person to the company, is void if that person, or an authorised agent of that person, does not agree in writing to becoming the holder of that share. A share is deemed issued when the name of the shareholder is entered in the company's register of members.

A company may, subject to its memorandum and articles of association, (a) divide its shares, including issued shares, into a larger number of shares; or (b) combine its shares, including issued shares, into a smaller number of shares. A division or combination of shares, including issued shares, of a class or series shall be for a larger or smaller number, as the case may be, of shares in the same class or series. Where par value shares are divided or combined, the aggregate par value of the new shares must be equal to the aggregate par value of the original shares. A company shall not divide its shares if it would cause the maximum number of shares that the company is authorised to issue by its memorandum to be exceeded.

#### **(B) Membership**

Under BVI BC Act, the entry of the name of a person in the register of members as a holder of a share in a company is prima facie evidence that legal title in the share vests in that person. A company may treat the holder of a registered share as the only person entitled to: (a) exercise any voting rights attaching to the share; (b) receive notices; (c) receive a distribution in respect of the share; and (d) exercise other rights and powers attaching to the share.

#### **(C) Purchase of Shares by a Company and Its Subsidiaries**

A BVI business company may purchase, redeem or otherwise acquire its own shares in accordance with either the provisions of BVI BC Act or its memorandum or articles of association.

A company may not purchase, redeem or otherwise acquire its own shares without the consent of the member whose shares are to be purchased, redeemed or otherwise acquired, unless the company is permitted by BVI BC Act or any provision of its memorandum or articles of association to purchase, redeem or otherwise acquire the shares without that consent.

No purchase, redemption or other acquisition of a company's own shares may be made unless the directors are satisfied on reasonable grounds that the company will, immediately after the purchase, redemption or acquisition, satisfy the solvency test. A company satisfies the solvency test if: (i) the value of its assets exceeds its liabilities; and (ii) the company is able to pay its debts as they fall due. BVI BC Act provides for certain situations where this solvency test is not mandatory prior to repurchase, redemption or acquisition being permitted. These are where: (a) the company redeems the shares under and in accordance with section 62 of BVI BC Act; (b) the company redeems the shares pursuant to a right of a member to have his shares redeemed or to have his shares exchanged for money or other property of the company; or (c) the company purchases, redeems or otherwise acquires the share or shares by virtue of the provisions of section 179 of BVI BC Act.

The directors of a company may make an offer to purchase, redeem or otherwise acquire shares issued by the company, if the offer is:

- (a) an offer to all members to purchase, redeem or otherwise acquire shares issued by the company that:
  - (i) would, if accepted, leave the relative voting and distribution rights of the members unaffected; and
  - (ii) affords each member a reasonable opportunity to accept the offer; or
- (b) an offer to one or more members to purchase, redeem or otherwise acquire shares:
  - (i) to which all members have consented in writing; or
  - (ii) that is permitted by the memorandum or articles and is made in accordance with section 61 of BVI BC Act.

Shares that are purchased, redeemed or otherwise acquired may be cancelled or held as treasury shares. A company may hold shares that have been purchased, redeemed or otherwise acquired as treasury shares if (i) the memorandum or articles of the company do not prohibit it from holding treasury shares; (ii) the directors resolve that shares to be purchased, redeemed or otherwise acquired shall be held as treasury shares; and (iii) the number of shares purchased, redeemed or otherwise acquired, when aggregated with shares of the same class already held by the company as treasury shares, does not exceed 50% of the shares of that class previously issued by the company, excluding shares that have been cancelled. All the rights and obligations attaching to a treasury share are suspended and shall not be exercised by or against the company while it holds the share as a treasury share.

**(D) Distributions**

Subject to BVI BC Act and its memorandum and articles of association, the directors of the company may by resolution, authorize a distribution (which includes a dividend) by the company to its members if the directors are satisfied, on reasonable grounds, that immediately after the distribution satisfy the solvency test, that is: (a) the company will be able to pay its debts as they fall due; and (b) the value of our assets exceeds its liabilities.

A distribution made to a member at a time when the company did not, immediately after the distribution, satisfy the aforesaid solvency test may be recovered by the company from the member unless (a) the member received the distribution in good faith and without knowledge of our failure to satisfy the solvency test; (b) the member has altered his position in reliance on the validity of the distribution; and (c) it would be unfair to require repayment in full or at all.

If, after a distribution is authorised and before it is made, the directors cease to be satisfied on reasonable grounds that the company will, immediately after the distribution is made, satisfy the solvency test, any distribution made by the company is deemed not to have been authorised. A director is personally liable to the company to repay to the company so much of the distribution as is not able to be recovered from members if the director (a) ceased, after authorization but before the making of the distribution, to be satisfied on reasonable grounds for believing that the company would satisfy the solvency test immediately after the distribution is made; and (b) failed to take reasonable steps to prevent the distribution being made.

**(E) Protection of Minorities**

BVI BC Act provides that if a company or a director of a company engages in or has engaged in, or proposes to engage in, conduct that contravenes BVI BC Act or the memorandum or articles of association of the company, BVI High Court may, on the application of a member or a director of the company, make an order directing the company or director to comply with, or restraining the company or director from engaging in conduct that contravenes, BVI BC Act or the memorandum or articles or association.

BVI BC Act also contains provisions allowing the court, on the application of a member of a company, to grant leave to the member to (a) bring proceedings in the name and on behalf of that company; or (b) intervene in proceedings to which the company is a party for the purpose of continuing, defending or discontinuing the proceedings on behalf of the company. No proceedings brought by a member or in which a member intervenes with the leave of the court may be settled or compromised or discontinued without the approval of the court. Under BVI BC Act, a member of a company may bring an action against the company for breach of a duty owed by the company to him as a member.

In the case where a member of a company brings proceedings against the company and other members that have the same or substantially the same interest in relation to the proceedings, BVI High Court may appoint that member to represent all or some of the members having the same interest and may, for that purpose, make such order as it thinks fit, including an order (a) as to the control and conduct of the proceedings; (b) as to the costs of the proceedings; and (c) directing the distribution of any amount ordered to be paid by a defendant in the proceedings among the members represented.

BVI BC Act provides that a member of a company who considers that the affairs of the company have been, are being or are likely to be, conducted in a manner that is, or any act or acts of the company have been, or are, likely to be oppressive, unfairly discriminatory, or unfairly prejudicial to him in that capacity, may make an application to BVI High Court. If the court considers that it is just and equitable to do so, it may make such order as it thinks fit, including, without limiting the generality of this subsection, one or more of the following orders: (a) in the case of a member, requiring the company or any other person to acquire the shareholder's shares; (b) requiring the company or any other person to pay compensation to the member; (c) regulating the future conduct of our affairs; (d) amending the memorandum or articles of the company; (e) appointing a receiver of the company; (f) appointing a liquidator of the company under section 159(1) of BVI Insolvency Act on the grounds specified in section 162(1)(b) of that Act; (g) directing the rectification of the records of the company; or (h) setting aside any decision made or action taken by the company or its directors in breach of BVI BC Act or the memorandum or articles of the company. None of the foregoing orders may be made against the company or any other person unless the company or that person is a party to the proceedings in which the application is made.

A member or the Registrar of Corporate Affairs may apply to BVI High Court ex parte or upon such notice as the court may require, for an order directing that an investigation be made of the company and any of its affiliated companies. If, upon such an application, it appears to the court that: (a) the business of the company or any of its affiliates is or has been carried on with intent to defraud any person; (b) the company or any of its affiliates was formed for a fraudulent or unlawful purpose or is to be dissolved for a fraudulent or unlawful purpose; or (c) persons concerned with the incorporation, business or affairs of the company or any of its affiliates have in connection therewith acted fraudulently or dishonestly, the court may make any order it thinks fit with respect to an investigation of the company and any of its affiliated companies by an inspector, who may be the Registrar of Corporate Affairs.

BVI BC Act provides that a member of a company is entitled to payment of the fair value of his shares upon dissenting from any of the following:

- (1) a merger, if the company is a constituent company, unless the company is the surviving company and the member continues to hold the same or similar shares;
- (2) a consolidation, if the company is a constituent company;

- (3) any sale, transfer, lease, exchange or other disposition of more than 50% in value of the assets or business of the company, if not made in the usual or regular course of the business carried on by the company, but not including:
  - (i) a disposition pursuant to an order of the Court having jurisdiction in the matter,
  - (ii) a disposition for money on terms requiring all or substantially all net proceeds to be distributed to the members in accordance with their respective interests within one year after the date of disposition, or
  - (iii) a transfer pursuant to the power described in section 28(2) of BVI BC Act;
- (4) a redemption of his shares by the company pursuant to section 176 of BVI BC Act; and
- (5) an arrangement, if permitted by BVI High Court.

**(F) Management**

BVI BC Act provides that, subject to the memorandum or articles of association of a company, any sale, transfer, lease, exchange or other disposition, other than a mortgage, charge or other encumbrance of the enforcement thereof, of more than 50% in value of the assets of the company (other than a transfer pursuant to a power described in section 28(3) of BVI BC Act), if not made in the usual or regular course of business carried on by the company, must be approved by a resolution of members and in the manner provided in section 175 of BVI BC Act.

A director of a company, in exercising his powers or performing his duties, shall act honestly and in good faith and in what the director believes to be in the best interests of the company. A director shall exercise his powers as a director for a proper purpose and shall not act, or agree to the company acting, in a manner that contravenes BVI BC Act or the memorandum or articles of association of the company. A director of a company, when exercising powers or performing duties as a director, shall exercise the care, diligence and skill that a reasonable director would exercise in the same circumstances taking into account, but without limitation, (a) the nature of the company; (b) the nature of the decision; and (c) the position of the director and the nature of the responsibilities undertaken by him.

**(G) Accounting and Auditing Requirements**

A BVI business company is required by BVI BC Act to keep records that: (a) are sufficient to show and explain its transactions; and (b) will, at any time, enable the financial position of the company to be determined with reasonable accuracy.

**(H) Taxation in BVI**

A BVI business company is exempt from all provisions of the Income Tax Ordinance of BVI (including with respect to all dividends, interests, rents, royalties, compensations and other amounts payable by the company to persons who are not resident in BVI). Capital gains realized with respect to any shares, debt obligations or other securities of the company by persons who are not resident in BVI are also exempt from all provisions of the Income Tax Ordinance of BVI.

No estate, inheritance, succession or gift tax is payable by persons who are not resident in BVI with respect to any shares, debt obligations or other securities of the company, save for interest payable to or for the benefit of an individual resident in the European Union.

**(I) Stamp Duty on Transfer**

No stamp duty is payable in BVI on a transfer of shares, debt obligations or other securities in a BVI business company which is not a land owning company. A company is a land owning company if it, or any of its subsidiaries, has an interest in any land in BVI.

**(J) Inspection of Corporate Records**

A member of a company is entitled, on giving written notice to the company, to inspect the memorandum and articles, the register of members, the register of directors, and minutes of meetings and resolutions of members and of those classes of members of which he is a member, and to make copies of or take extracts from the documents and records maintained at the office of the registered agent of the company. Subject to the memorandum and articles of association of the company, its directors may, if they are satisfied that it would be contrary to the company's interests to allow the member to inspect the register of members, register of directors or minutes/ resolutions of members or part of any such documents, refuse to permit the member to inspect the document or limit the inspection of the document, including limiting the making of copies or the taking of extracts from the records. The directors are required, as soon as reasonably practicable, to notify the member concerned. Where a company fails or refuses to permit a member to inspect a document or permits a member to inspect a document subject to limitations, that member may apply to BVI High Court for an order that he should be permitted to inspect the document or to inspect the document without limitation.



BVI BC Act requires a business company to keep minutes of all meetings of directors, members, committees of directors and committees of members and copies of all resolutions consented to by directors, members, committees of directors, committees of officers and committees of members. The minutes of meetings and resolutions of members and of classes of members, and the minutes of meeting of directors and committees of directors are required by BVI BC Act to be kept at the office of the company's registered agent or at such other places, within or outside BVI, as the directors may determine. A company shall keep at the office of its registered agent the memorandum and articles of association of the company, the register of members (or a copy thereof), the register of directors (or a copy thereof) and copies of all notices and other documents filed by the company in the previous ten years. BVI BC Act requires a company to have a common seal and an imprint of the seal shall be kept at the office of its registered agent.

A business company is required to keep a register of members containing the names and addresses of the persons who hold registered shares in the company, the number of each class and series of registered shares held by each shareholder, the date on which the name of each member was entered in the register of members and the date on which any person ceased to be a member. The register of members may be in such form as the directors may approve but if it is in magnetic, electronic or other data storage form, the company must be able to produce legible evidence of its contents. The entry of the name of a person in the register of members as a holder of a share in a company is prima facie evidence that legal title in the share vests in that person.

BVI BC Act requires a business company to keep a register known as a register of directors containing the particulars as prescribed under BVI BC Act. The register of directors is prima facie evidence of any matters directed or authorised by BVI BC Act to be contained therein. A company shall file for registration by the Registrar of Corporate Affairs a copy of its register of directors. A company that has filed for registration by the Registrar of Corporate Affairs a copy of its register of directors shall, within 30 days of any changes occurring, file the changes in the register by filing a copy of the register containing the changes.

#### **(K) Liquidation**

##### *(i) Where the business company is solvent*

Where it is proposed to liquidate a solvent business company (that is, the company either has no liabilities or it is able to pay its debts as they fall due and the value of its assets equals or exceeds its liabilities), the directors of the company shall (a) make a declaration of solvency in the approved form stating that, in their opinion, the company is and will continue to be able to discharge, pay or provide for its debts as they fall due and the value of its assets equals or exceeds its liabilities, and (b) approve a liquidation plan specifying: (i) the reasons for the liquidation of the company, (ii) their estimate of the time required to liquidate the company, (iii) whether the liquidator is authorised to carry on the business of the company if he determines that to do so would be necessary or in the best interests of the creditors or members of the company, (iv) the name and address of each individual to be appointed as liquidator and the remuneration proposed to be paid to each liquidator,

and (v) whether the liquidator is required to send to all members a statement of account prepared or caused to be prepared by the liquidator in respect of his actions or transactions. In accordance with the memorandum and articles of association of the company, the directors and/or the members of the company will pass a resolution to appoint a voluntary liquidator and will give notice to the selected liquidator of his appointment. The liquidation of a company commences at the time at which the notice of the voluntary liquidator's appointment is filed. A resolution to appoint a voluntary liquidator is void and of no effect unless the voluntary liquidator files notice of his appointment on or before the fourteenth day following the date of the resolution.

Within 14 days of the date of his appointment, the voluntary liquidator is required to file a notice of his appointment in an approved form, a copy of the declaration of solvency made by the directors and a copy of the liquidation plan, with the Registrar. He is also required, within 30 days of the commencement of the liquidation, to advertise notice of his appointment in the manner prescribed.

With effect from the commencement of the voluntary liquidation of a company, the voluntary liquidator has custody and control of the assets of the company.

However, the right of a secured creditor to take possession of and realize or otherwise deal with assets of the company over which the creditor has a security interest will not be affected.

The directors of the company remain in office but they cease to have any powers, functions or duties other than those required or permitted under Part XII of BVI BC Act.

The directors, after the commencement of the voluntary liquidation, may authorize the liquidator to carry on the business of the company if the liquidator determines that to do so would be necessary or in the best interests of the creditors or members of the company where the liquidation plan does not give the liquidator such authorization, and exercise such powers as the liquidator, by written notice, may authorize them to exercise.

The members of a company may, by resolution, appoint an eligible individual as an additional voluntary liquidator to act jointly with the voluntary liquidator or voluntary liquidators already appointed.

BVI High Court may, at any time after the appointment of a voluntary liquidator, on application by a director, member or creditor of the company, make an order terminating the liquidation if it is satisfied that it would be just and equitable to do so. Where such an order is made, the company ceases to be in voluntary liquidation and the voluntary liquidator ceases to hold office with effect from the date of the order or such later date as may be specified in the order.

A voluntary liquidator shall, upon completion of a voluntary liquidation, file a statement that the liquidation has been completed and upon receiving the statement, the Registrar of Corporate Affairs shall strike the company off the Register of Companies and issue a certificate of dissolution in the approved form certifying that the company has been dissolved. The dissolution of the company is effective from the date of the issue of the certificate.

Immediately following the issue by the Registrar of Corporate Affairs of a certificate of dissolution, the person who, immediately prior to the dissolution, was the voluntary liquidator of the company shall cause to be published in the Gazette, a notice that the company has been struck off the Register of Companies and dissolved.

*(ii) Where the business company is insolvent*

If at any time the voluntary liquidator of a company in voluntary liquidation is of the opinion that the company is insolvent (that is to say, either the value of the company's liabilities exceeds, or will exceed, its assets or, the company is, or will be, unable to pay its debts as they fall due), he shall forthwith send a written notice to the Official Receiver in the approved form.

The voluntary liquidator shall then call a meeting of creditors of the company to be held within twenty one days of the date of the aforesaid notice to the Official Receiver. The said creditors meeting shall be treated as if it were the first meeting of the creditors of a company called under section 179 of BVI Insolvency Act by a liquidator appointed by the members of a company and, sections 179 and 180 of BVI Insolvency Act shall apply to the calling and holding of such a meeting.

Where a voluntary liquidator is not an eligible licensed insolvency practitioner with respect to the company, the Official Receiver may apply to BVI High Court ex parte for the appointment of himself or an eligible licensed insolvency practitioner as the liquidator of the company and the court may make the appointment subject to such conditions as it considers appropriate.

From the time that an appointed liquidator first becomes aware that the company is not, or will not be, able to pay its debts he shall conduct the liquidation as if he had been appointed liquidator under BVI Insolvency Act.

BVI Insolvency Act will apply to the liquidation of the company subject to such modifications as are appropriate and the liquidation of the company shall be deemed to have commenced on the date of the appointment of the voluntary liquidator.

**(L) Reconstruction**

There are statutory provisions which facilitate arrangements which involve a plan of arrangement being approved by a resolution of directors of the company and application being made to BVI High Court for approval of the proposed arrangement. Upon approval by the court, the directors of the company, if they are still desirous of executing the plan, shall confirm the plan of arrangement as approved by the court whether or not the court has directed any amendments to be made thereto and give notice to the persons whom the order of court requires notice to be given and submit the plan of arrangement to those persons for such approval, if any, as the court order requires.

After the plan of arrangement has been so approved, articles of arrangement shall be executed by the company. The articles of arrangement shall contain the plan of arrangement, the order of the court approving the plan of arrangement and the manner in which the plan of arrangement was approved (if approval was required by the order of the court). The articles of arrangement shall be filed with the Registrar of Corporate Affairs who shall register them. Upon registration of the articles of arrangement, the Registrar shall issue a certificate in the approved form certifying that the articles of arrangement have been registered.

An arrangement is effective on the date the articles of arrangement are registered by the Registrar of Corporate Affairs or on such date subsequent thereto, not exceeding 30 days, as is stated in the articles of arrangement.

**(M) Compulsory Acquisition**

Subject to the memorandum or articles of association of a company, members of the company holding 90% of the votes of the outstanding shares entitled to vote on a merger or consolidation, and members of the company holding 90% of the votes of the outstanding shares of each class of shares entitled to vote as a class, may give a written instruction to the company directing the company to redeem the shares held by the remaining members. Upon receipt of the written instruction, the company shall redeem the shares specified in the written instruction irrespective of whether or not the shares are by their terms redeemable. The company shall give written notice to each member whose shares are to be redeemed stating the redemption price and the manner in which the redemption is to be effected.

**(N) Indemnification**

Section 132 of BVI BC Act provides that subject to the memorandum or articles of association of a company, the company may indemnify against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred in connection with legal, administrative or investigative proceedings any person who (a) is or was a party or is threatened to be made a party to any threatened, pending or completed proceedings, whether civil, criminal, administrative or investigative, by reason of the fact that the person is or was a director of the company, or (b) is or was, at the request of the company, serving as a director of, or in any other capacity is or was acting for, another body corporate or a partnership, joint venture, trust or other enterprise, provided that the said person had acted honestly and in good faith and in what he believed to be in the best interests of the company and, in the case of criminal proceedings, the person had no reasonable cause to believe that his conduct was unlawful. Any indemnity given in breach of the foregoing proviso is void and of no effect.

Expenses, including legal fees, incurred by a director or a former director in defending any legal, administrative or investigative proceedings may be paid by the company in advance of the final disposition of such proceedings upon receipt of an undertaking by or on behalf of the director or the former director, as the case may be, to repay the amount if it shall ultimately be determined that the director is not entitled to be indemnified by the company. In the case of a former director, the undertaking to be furnished by such former director may also include such other terms and conditions as the company deems appropriate.

A company may purchase and maintain insurance in relation to any person who is or was a director of the company, or who at the request of the company is or was serving as a director of, or in any other capacity is or was acting for, another body corporate or a partnership, joint venture, trust or other enterprise, against any liability asserted against the person and incurred by the person in that capacity, whether or not the company has or would have had the power to indemnify the person against the liability under section 132 of BVI BC Act.

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information (other than those information and confirmation relating to the Offeror, Yunnan Energy Investment (H K) Co. Limited, Circle Brown, their respective associates and parties acting in concert with them, the Listco Offers and the Privateco Offer set out in this circular) contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

Information and confirmation relating to the Offeror, Yunnan Energy Investment (H K) Co. Limited, Circle Brown, their respective associates and parties acting in concert with them, the Listco Offers and the Privateco Offer set out in this circular have been duly extracted from the Joint Announcement or provided by the respective parties. The Directors jointly and severally accept responsibility for the correctness and fairness of reproduction or presentation of such information.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than the information relating to the Offeror, Circle Brown, their respective associates and parties acting in concert with them), and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Offeror and Circle Brown) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in the circular misleading.

The sole director of the Offeror, being Zhang Jincan, and the directors of YEIG, being Duan Wenquan, Qiu Lujin, Liu Wenxian, Yang Wanhua, Li Xiang, Geng Shulun and Wang Yongqiang, jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those information relating to the Group, the Vendor and Circle Brown, their respective associates and parties acting in concert with them) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Vendor, Group and Circle Brown) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in the circular misleading.

The sole director of Circle Brown, being Mr. Lo, accepts full responsibility for the accuracy of the information contained in this circular (other than the information relating to the Group, the Offeror, their respective associates and parties acting in concert with them), and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this circular (other than those expressed by the Group, the Directors and the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement contained in this circular misleading.

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were taken or deemed to have under such provisions of the SFO), or were required to be entered in the register required to be kept pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “**Model Code**”) adopted by the Company were as follows:

### Long position

Name	Capacity	Nature of interests	Number of Shares held	Number of underlying shares held under equity derivatives	Total number of Shares interested	Percentage of the total issued share capital (%)
Lo Yat Keung ( <i>Note 1</i> )	Beneficial owner	Beneficial interest	104,956,500	–	112,456,500	40.83
	Interest of his spouse	Deemed Interest	7,500,000	–		
Chan Wai Shing ( <i>Note 2</i> )	Beneficial owner	Beneficial interest	9,720,000	2,500,000	12,220,000	4.44
Ho Yew Yuen	Beneficial owner	Beneficial Interest	300,000	–	300,000	0.11
Christopher James O'Connor ( <i>Note 3</i> )	Beneficial owner	Beneficial Interest	–	700,000	700,000	0.25

#### Notes:

1. Mr. Lo Yat Keung is deemed to be interested in 7,500,000 shares of the Company held by his spouse, Ms. Yung Yat by virtue of the SFO.
2. Mr. Chan Wai Shing holds 2,500,000 share options of the Company.
3. Mr. Christopher James O'Connor holds 700,000 share options of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director and the chief executive of the Company were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

### 3. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, the following persons (other than Directors or chief executive of the Company) had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or held any option in respect of such capital:

#### Long Position in the Shares

Name	Capacity and nature of interests	Number of Shares held	Direct Interest	Number of Shares held	Deemed Interest
			Approximate percentage of the issued share capital of the Company (%)		Approximate percentage of the issued share capital of the Company (%)
Offeror (Note 1)	Beneficial owner	247,092,317	89.71	–	–
香港雲能國際投資有限公司 (Note 2)	Controlled corporation	–	–	247,092,317	89.71
雲南省能源投資集團有限公司 (Note 2)	Controlled corporation	–	–	247,092,317	89.71
雲南省投資控股集團有限公司 (Note 2)	Controlled corporation	–	–	247,092,317	89.71
Yung Yat (Note 3)	Beneficial owner	7,500,000	2.72	–	–
	Interest of spouse	–	–	104,956,500	38.11%
KCH Investment Company Limited (Note 4)	Beneficial owner	47,364,648	17.20	–	–
Guo Bing (Note 4)	Controlled corporation	–	–	47,364,648	17.20%
Zhang Li (Note 4)	Interest of spouse	–	–	47,364,648	17.20%
Kabouter Management, LLC (Note 5)	Investment Manager	–	–	27,185,352	9.87%

#### Notes:

- These interests represent (i) an interest in 169,541,148 Shares, representing approximately 61.55% of the issued share capital of the Company as at the Latest Practicable Date, that the Offeror has conditionally agreed to acquire pursuant to the Sale and Purchase Agreements; and (ii) an interest in respect of 77,551,169 underlying Shares, representing approximately 28.2% of the issued share capital of the Company as at the Latest Practicable Date, issuable to the Offeror upon the conversion of the Convertible Bonds.
- The Offeror is wholly owned by 香港雲能國際投資有限公司, which is in turn wholly owned by 雲南省能源投資集團有限公司 and 雲南省能源投資集團有限公司 is owned as to 83.08% by 雲南省投資控股集團有限公司. By virtue of the SFO, each of 香港雲能國際投資有限公司, 雲南省能源投資集團有限公司 and 雲南省投資控股集團有限公司 is deemed to be interested in the Shares held by the Offeror.
- Ms. Yung Yat is the spouse of Mr. Lo Yat Keung and is therefore deemed to be interested in the 104,956,500 shares held by Mr. Lo Yat Keung by virtue of the SFO.



4. KCH Investment Company Limited is wholly-owned by Mr. Guo Bing and Ms. Zhang Li is the spouse of Mr. Guo Bing. By virtue of the SFO, Mr. Guo Bing and Ms. Zhang Li are deemed to be interested in the shares held by KCH Investment Company Limited.
5. Kabouter Management LLC notified the Company that it has a deemed interest in the shares held by Kabouter Fund II, LLC, Kabouter Fund I (QP), LLC and Kabouter Fund III LLC, all of which are managed and controlled by Kabouter Management LLC and all those shares are held through HKSCC Nominees Limited. As at the Latest Practicable Date, (i) Kabouter Fund II, LLC was interested in 10,042,089 shares, (ii) Kabouter Fund I (QP), LLC is interested in 13,026,141 shares, and (iii) Kabouter Fund III LLC is interested in 4,117,122 shares. By virtue of the SFO, Kabouter Management LLC is deemed to be interested in the shares held by Kabouter Fund II, LLC, Kabouter Fund I (QP), LLC and Kabouter Fund III LLC, totalling 27,185,352 shares.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, no person (other than Directors or the chief executive of the Company) had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or held any options in respect of such capital.

#### **4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS OF THE COMPANY**

Save as disclosed in this circular, as at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which had been, since the date to which the latest published audited consolidated accounts of the Company were made up (being 31 December 2017), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.
- (b) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any members of the Group which was subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

#### **5. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims which would materially and adversely affect the operations of the Company and no litigation, arbitration or claim which would materially and adversely affect the operations of the Company is known to the Directors to be pending or threatened by or against any member of the Group.

#### **6. COMPETING INTERESTS**

As at the Latest Practicable Date, so far as was known to the Directors, none of the Directors or any of their respective associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**7. MATERIAL CONTRACTS**

The following contracts, not being contracts entered into in the ordinary course of business of the Group, were entered into by the Group within two years immediately preceding the Latest Practicable Date and which are or may be material:

- (a) the CB Subscription Agreement; and
- (b) the Supplemental CB Subscription Agreement.

**8. QUALIFICATION AND CONSENTS OF EXPERTS**

- (a) The following is the qualification of the experts who have given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Appleby	Legal advisers as to Bermuda and BVI laws
Deloitte Touche Tohmatsu	Certified public accountants
Amasse Capital	A licensed corporation to carry out Type 1 (dealing in securities relating to corporate finance) and Type 6 (advising on corporate finance) regulated activity under the SFO
BMI Appraisals Limited ("BMI")	Independent property valuer

- (b) As at the Latest Practicable Date, each of Appleby, Deloitte Touche Tohmatsu, Amasse Capital and BMI had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Each of Appleby, Deloitte Touche Tohmatsu, Amasse Capital and BMI has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and references to its name in the form and context in which they appear respectively.
- (d) As at the Latest Practicable Date, each of Appleby, Deloitte Touche Tohmatsu, Amasse Capital and BMI did not have any interest, direct or indirect, in any assets which have been, since 31 December 2017, being the date to which the latest published audited consolidated accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or proposed to be acquired or disposed of by or leased to any member of the Group.

**9. SERVICE CONTRACTS**

As at the Latest Practicable Date, save for the Service Agreements, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

**10. MISCELLANEOUS**

- (a) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is situated at 6/F., Mita Center, 552-556 Castle Peak Road, Kwai Chung, Kowloon, Hong Kong.
- (c) The Hong Kong Branch Share Registrar and transfer office of the Company is Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong and the Company's share transfer agent in Singapore is M & C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902.
- (d) The joint company secretaries of the Company is Mr. Sin Sheung Nam, Gilbert, who is an associate member of the Hong Kong Institute of Certified Public Accountants and Ms. Wong Wai Han, who is a solicitor in Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the office of Stephenson Harwood at 18th Floor, United Centre, 95 Queensway, Hong Kong on Business Days from the date of this circular up to and including 17 July 2018:

- (a) the CB Subscription Agreement and the Supplemental CB Subscription Agreement;
- (b) the Supply Framework Agreement;
- (c) the Service Agreements;
- (d) the memorandum of association and bye-laws of the Company;
- (e) the annual reports of the Company for the last two financial years ended 31 December 2017;

- (f) the interim report of the Company for the six month period ended 30 June 2017;
- (g) the memorandum of association and the form of articles of association of Privateco to be adopted on or before completion of the Distribution In Specie;
- (h) the letter from the Independent Board Committee, the text of which is set out on pages 58 to 59 of this circular;
- (i) the letter from Amasse Capital, the text of which is set out on pages 60 to 125 of this circular;
- (j) the accountant's report of the Privateco Group for the three years ended 31 December 2017, the text of which is set out in Appendix III to this circular;
- (k) the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix V to this circular;
- (l) the unaudited pro forma financial information of the Privateco Group, the text of which is set out in Appendix VI to this circular;
- (m) the valuation for properties held by the Privateco Group, the text of which is set out in Appendix VII to this circular;
- (n) the letter from Appleby dated 26 June 2018 summarising certain aspects of BVI company law, together with a copy of BVI Business Companies Act 2004 (as amend);
- (o) the written consents of the experts as referred to in the section headed "Qualification and Consents of Experts" in this appendix; and
- (p) this circular.

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## NOTICE OF THE SGM

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# TECHCOMP (HOLDINGS) LIMITED

天美(控股)有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Hong Kong Stock Code: 1298)**

**(Singapore Stock Code: T43)**

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**SGM**”) of Techcomp (Holdings) Limited (the “**Company**”) will be held at Conference Room (A3), Admiralty Conference Centre, 1804, 18/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong and via video conference at Pinnacle Suite, Wangz Business Centre, The Penthouse, 7 Temasek Boulevard, #44-01 Suntec Tower One, Singapore 038987 at 2:30 p.m. on Tuesday, 17 July 2018 and at any adjournment thereof for the purposes:

#### ORDINARY RESOLUTIONS

To consider and, if thought fit, pass the following resolutions as ordinary resolutions of the Company with or without modifications:

1. “**THAT:**

- (a) the terms of the subscription agreement dated 18 April 2018 (as supplemented and amended by a supplemental subscription agreement dated 22 June 2018 (the “**Supplemental CB Subscription Agreement**”)) (collectively the “**CB Subscription Agreement**”) entered into between the Company as issuer, Baodi International Investment Company Limited (the “**Offeror**”) as the subscriber and Yunnan Energy Investment (H K) Co. Limited as guarantor (the “**Guarantor**”) in relation to the subscription of convertible bonds (the “**Convertible Bonds**”) for a maximum aggregate amount of US\$32,482,307 to be issued by the Company (details relating to the CB Subscription Agreement are set out in the circular of the Company dated 29 June 2018 (the “**Circular**”) and a copy of each of the CB Subscription Agreement and the Supplemental CB Subscription Agreement marked “**A**” has been produced to the SGM and initialled by the chairman of the SGM for the purpose of identification), be and are hereby ratified, confirmed and approved;
- (b) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited approving the listing of, and granting permission to deal in the Conversion Shares (as defined below) to be allotted and issued upon the conversion of the Convertible Bonds, the directors of the Company (“**Director(s)**”) be and are hereby granted a specific mandate to exercise powers of the Company to allot and issue a maximum of 77,551,169 ordinary shares (“**Conversion Shares**”) in the share capital of the Company (“**Shares**”) as may be required to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds at an initial conversion price of US\$0.41885 per Conversion Shares (subject to adjustment pursuant to the terms and conditions of the Convertible Bonds), on and subject to the terms and conditions of the Convertible Bonds; (c) all transactions contemplated under the CB Subscription Agreement and in connection with the issue and allotment of the Conversion Shares and the issue of the Convertible Bonds (collectively referred to as the “**Transactions**”) be and are hereby approved; and

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## NOTICE OF THE SGM

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- (c) any one or more Directors be and are hereby authorised to do all such acts and things, to sign and execute (under hand or as a deed, and where required, to affix the common seal of the Company in accordance with the bye-laws of the Company) all such documents and to take such steps as they consider necessary, desirable or expedient in connection with the CB Subscription Agreement, the issue of the Convertible Bonds, the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds and/or to give effect to the terms of, or the Transactions contemplated under the CB Subscription Agreement.”

2. **“THAT:**

- (a) conditional upon the completion of the Group Reorganisation (as defined in the Circular), a dividend of Distribution Amount (as defined below) per Share (the **“Dividend”**) be declared and paid to the holders of Shares (the **“Shareholders”**) whose names appear on the register of members of the Company as at the close of business of a record date (the **“Record Date”**) to be determined by the Directors, which shall be a date falling after the SGM but before the Sale and Purchase Completion Date (as defined in the Circular) and the CB Subscription Completion Date (as defined in the Circular), and such Dividend shall be satisfied wholly by the distribution of all issued shares of par value US\$0.001 each (the **“Privateco Shares”**) in the authorised shares of Techcomp Instrument Limited (**“Privateco”**) on a one-for-one basis (i.e. one Privateco Share for one Share) (**“Distribution in Specie”**) except for the Excluded Overseas Shareholders (as defined below) which shall be paid the Dividend in cash; and
- (b) any one or more Directors be and are hereby authorised to do all such acts and things, to sign and execute (under hand or as a deed, and where required, to affix the common seal of the Company in accordance with the bye-laws of the Company) all documents on behalf of the Company, and to take such steps as they consider necessary, desirable or expedient to give effect to or in connection with the foregoing in respect of the Distribution In Specie and/or the transactions contemplated thereunder.

**“Excluded Overseas Shareholders”** means the Shareholders (except that where the holder of Shares is The Central Depository (Pte) Limited of Singapore (**“CDP”**), the term **“Shareholders”** shall, in relation to such Shares, be deemed to be the person named as a Depositor (as defined in the Securities and Futures Act Chapter 289 of Singapore (the **“SFA”**)) in the Depository Register (as defined in the SFA) and whose Securities Account (as defined in the SFA) is credited with Shares) whose respective addresses are in any particular territory or territories (outside Hong Kong or Singapore (as the case may be)) being a territory or territories where, in the absence of a registration statement or other special formalities, the Distribution in Specie would or might, in the opinion of the Directors, be unlawful or impracticable.

**“Distribution Amount”** means the consolidated net asset value of the Privateco Group (as defined in the Circular) as determined by the Directors divided by the total number of the Privateco Shares (as defined in the Circular) in issue as at the close of business on the Record Date.”

\* See Explanatory Note below.

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## NOTICE OF THE SGM

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3. **“THAT:**

- (a) the supply framework agreement to be entered into between the Privateco and the Company (the **“Supply Framework Agreement”**, a copy of which marked **“B”** has been produced to the SGM and initialled by the chairman of the SGM for the purpose of identification) in respect of the supply of various analytical instruments, life science equipment and laboratory instruments under the Privateco Group's own brands by the Privateco Group to the Remaining Group (as defined in the Circular) for a term commencing from the second Business Day after the satisfaction of the conditions as set out in the Circular and expire on the second anniversary of the last day of the calendar month in which the Sale and Purchase Completion took place (both days inclusive) with a maximum value of the orders for the period concerned under the Framework Purchase Agreement not exceeding HK\$180 million, and the transactions contemplated thereunder, be and are hereby approved; and
- (b) any one or more Directors be and are hereby authorised to do all such acts and things, to sign and execute (under hand or as a deed, and where required, to affix the common seal of the Company in accordance with the bye-laws of the Company) all such documents and to take such steps as they consider necessary, desirable or expedient to give effect to or in connection with the Supply Framework Agreement (including but not limited to entering into any supplemental or variation agreement thereto) and the transactions contemplated thereunder.”

4. **“THAT:**

- (a) the service agreement to be entered into between Techcomp Scientific Limited and Mr. Lo Yat Keung (the **“Mr. Lo's Service Agreement”**, a copy of which marked **“C”** has been produced to the SGM and initialled by the chairman of the SGM for the purpose of identification), pursuant to which Mr. Lo will be appointed as consultant of Techcomp Scientific Limited, which will wholly owned the Remaining Subsidiaries (as defined in the Circular) upon completion of the Group Reorganisation (as defined in the Circular) which will be effective upon the satisfaction of the conditions as set out in the Circular and expire on the second anniversary of the last day of the calendar month in which the Sale and Purchase Completion took place (both days inclusive) with an annual salary of HK\$2,400,000, and the transactions contemplated thereunder, be and are hereby approved; and
- (b) any one or more Directors be and are hereby authorised to do all such acts and things, to sign and execute (under hand or as a deed, and where required, to affix the common seal of the Company in accordance with the bye-laws of the Company) all such documents and to take such steps as they consider necessary, desirable or expedient to give effect to or in connection with the Mr. Lo's Service Agreement (including but not limited to entering into any supplemental or variation agreement thereto) and the transactions contemplated thereunder.”

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## NOTICE OF THE SGM

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5. **“THAT:**

- (a) the service agreement to be entered into between Techcomp Scientific Limited and Mr. Chan Wai Shing (the **“Mr. Chan’s Service Agreement”**, a copy of which marked **“D”** has been produced to the SGM and initialled by the chairman of the SGM for the purpose of identification), pursuant to which Mr. Chan will be appointed as consultant of Techcomp Scientific Limited, which will wholly owned the Remaining Subsidiaries upon completion of the Group Reorganisation which will be effective upon the satisfaction of the conditions as set out in the Circular and expire on the second anniversary of the last day of the calendar month in which the Sale and Purchase Completion took place (both days inclusive) with an annual salary of HK\$960,000, and the transactions contemplated thereunder, be and are hereby approved; and
- (b) any one or more Directors be and are hereby authorised to do all such acts and things, to sign and execute (under hand or as a deed, and where required, to affix the common seal of the Company in accordance with the bye-laws of the Company) all such documents and to take such steps as they consider necessary, desirable or expedient to give effect to or in connection with the Mr. Chan’s Service Agreement (including but not limited to entering into any supplemental or variation agreement thereto) and the transactions contemplated thereunder.”

6. **“THAT:**

- (a) the share option scheme of the Company adopted on 28 May 2004 (the **“2004 Share Option Scheme”**), a copy of which marked **“E”** has been produced to the SGM and initialled by the chairman of the SGM for the purpose of identification), be and is hereby amended by deleting the existing Rule 8.1 of the 2004 Share Option Scheme in its entirety and substituting the following therefor:

“8.1 If a variation in the issued share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, sub-division, consolidation or distribution) shall take place or if the Company shall make a declaration of a dividend (whether interim or final and whether in cash or in specie), then:-

- (a) the Subscription Price for the Scheme Shares, the nominal amount, class and/or number of Scheme Shares comprised in an Option to the extent unexercised; and/or
- (b) the nominal amount, class and/or number of Scheme Shares over which Options may be granted under the Scheme,



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## NOTICE OF THE SGM

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shall be adjusted in such manner as the Committee may determine to be appropriate and upon the written confirmation of the Auditors or an independent financial adviser appointed by the Company (in each case, acting only as experts and not as arbitrators), except in relation to a capitalisation issue where no such confirmation shall be required, that in their opinion, such adjustment satisfies the requirements set out in the note to Rule 17.03(13) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The adjustment must be made in such a way that a Participant will not receive a benefit that a Shareholder does not receive.”; and

- (b) any one or more Directors be and are hereby authorised to execute (under hand or as a deed, and where required, to affix the common seal of the Company in accordance with the bye-laws of the Company) all such other documents, instruments and agreements and to do all such acts or things for and on behalf of the Company as they may consider appropriate or desirable relating to or in connection with the matters contemplated in and for giving full effect to the transactions contemplated and/or authorised by this Resolution (including the proposed amendment to the 2004 Share Option Scheme).”

7. **“THAT:**

- (a) the share option scheme of the Company adopted on 9 June 2011 (the **“2011 Share Option Scheme”**), a copy of which marked **“F”** has been produced to the SGM and initialled by the chairman of the SGM for the purpose of identification), be and is hereby amended pursuant to Rule 12 of the 2011 Share Option Scheme as follows:

- (i) deleting the existing Rule 10.1 of the 2011 Share Option Scheme in its entirety and substituting the following therefor:

“10.1 In the event of a capitalisation issue, rights issue, sub-division or consolidation of the Shares, subdivision or reduction of the share capital in the Company whilst any Option remains exercisable (excluding any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in respect of a transaction to which the Company is a party), or in the event of any distribution of the Company's capital assets to its shareholders on a pro rata basis (whether in cash or in specie) other than dividend paid out of the net profits attributable to its shareholders for each financial year of the Company, such corresponding alterations (if any) shall be made to:

- (A) the number of Shares subject to the Option so far as unexercised; or
    - (B) the Subscription Price for the Shares subject to the Option so far as unexercised; or
    - (C) the Shares to which the Option relates; or

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(D) the method of exercise of the Option (if applicable);

or any combination thereof, as an independent financial adviser appointed by the Company or the Auditors shall certify in writing to the directors of the Company that any such alterations shall satisfy the requirements set out in the note to Rule 17.03(13) of the SEHK Listing Rules and shall give a Grantee the same proportion of the issued share capital of the Company as that to which he was previously entitled, provided that no such alterations shall be made the effect of which would be to enable a Share to be issued at a less than nominal value and/or cause the Grantee to receive a benefit that shareholders of the Company do not receive and in no event shall adjustments be made to the advantage of a Grantee without specific prior shareholders' approval and otherwise in accordance with the SEHK Listing Rules. The capacity of the independent financial adviser or the Auditors in this clause is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final, conclusive and binding on the Company and the Grantees. The costs of the independent financial adviser or the Auditors shall be borne by the Company. Notice of such alteration(s) (if any) shall be given to the Grantees by the Company."

- (ii) deleting the existing Rule 7.6 of the 2011 Share Option Scheme in its entirety and substituting the following therefor:

"7.6 So long as the Shares in issue are listed on the SEHK, the Company shall, as soon as practicable after the exercise of an Option apply to the SEHK and any other stock exchange(s) on which the Shares are quoted, for permission to deal in and for quotation of such Scheme Shares to be issued and allotted pursuant to the exercise of Options by a Participant on the SHEK and such other stock exchange(s), as the case may be."

- (iii) deleting the existing Rule 12.1 of the 2011 Share Option Scheme in its entirety and substituting the following therefor:

"12.1 The terms and conditions of the Scheme may be altered in any respect, or in any way to the extent necessary to cause the Scheme to comply with any statutory provision or regulations of any regulatory or other relevant authority or body (including the SEHK or any other stock exchange on which the Shares are quoted or listed), by resolution of the Committee from time to time except that the definition of "Grantee" and "Participants", and the provisions of the Scheme relating to matters contained in Rule 17.03 of the SEHK Listing Rules shall not be altered to extend the class of persons eligible for the grant of Options or to the advantage of Grantees or Participants except with the prior approval of the shareholders in general meeting."

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- (iv) deleting the existing Rule 12.3 of the 2011 Share Option Scheme in its entirety and substituting the following therefor:

“12.3 The amended terms of the Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the SEHK Listing Rules. If required, no modification or alteration shall be made without the prior approval of the SEHK, or any other stock exchange on which the Shares are quoted or listed, and such other regulatory authorities as may be necessary.”

and the above amendments to the 2011 Share Option Scheme be and are hereby approved and adopted; and

- (b) any one or more Directors be and are hereby authorised to execute (under hand or as a deed, and where required, to affix the common seal of the Company in accordance with the bye-laws of the Company) all such other documents, instruments and agreements and to do all such acts or things for and on behalf of the Company as they may consider appropriate or desirable relating to or in connection with the matters contemplated in and for giving full effect to the amendment to the 2011 Share Option Scheme.”

By Order of the Board  
**Techcomp (Holdings) Limited**  
**Sin Sheung Nam, Gilbert**  
*Joint Company Secretary*

Hong Kong, 29 June 2018

*Explanatory Note to resolutions to be passed:*

In relation to ordinary resolution number 2 above, where the Shareholder is CDP, the term “**Shareholder**” shall be deemed to be the person named as a Depositor in the Depository Register and whose Securities Account is credited with Shares, and in the case of such Shareholders (other than Non-Qualifying Shareholders (as defined in the Circular)) whose names appear on the Depository Register maintained by CDP as at 5:00 p.m. on the Record Date (as defined in the Circular), CDP will direct the Company to transfer the Privateco Shares directly to such Depositors.

*Notes:*

1. A form of proxy for use at the meeting is enclosed herewith.
2. Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged at the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (for shareholders in Hong Kong), or the Company's share transfer agent in Singapore, M & C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902 (for shareholders in Singapore) as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be).

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4. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
5. Where there are joint holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the Shares shall be accepted to the exclusion of the votes of the other registered holders.
6. A Depositor holding Shares through CDP and whose name appears in the Depository Register as at a time not earlier than forty-eight (48) hours prior to the time of the SGM who wishes to attend and vote at the meeting may do so as CDP's proxy. A Depositor who is unable to attend personally but wishes to appoint a nominee to attend and vote on his/her behalf, or if such Depositor is a corporation, should complete the accompanying CDP form of proxy and lodge the same at the office of the Company's share transfer agent in Singapore, M & C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902 as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be). The completion and return of a proxy form by an individual Depositor does not preclude him from attending and voting in person at the SGM if he so wishes, in place of his nominee or nominees.
7. The register of members of the Company will be closed from Thursday, 12 July 2018 to Tuesday, 17 July 2018, both days inclusive, during which period no transfer of Shares will be registered. In order to determine the identity of shareholders who are entitled to attend and vote at the meeting, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m., Wednesday, 11 July 2018 (for shareholders in Hong Kong), or with the Company's share transfer agent in Singapore, M & C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902 for registration not later than 4:30 p.m., Wednesday, 11 July 2018 (for shareholders in Singapore).
8. Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the SGM and/or any adjournment thereof, a member of the Company or a Depositor as the case may be, (i) consents to the collection, use and disclosure of the member's or Depositor's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the SGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the SGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, "**Purposes**"), (ii) warrants that where the member or Depositor discloses the personal data of the member's or Depositor's proxy(ies) and/or representative(s) to the Company (or its agents), the member or Depositor has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member or Depositor will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's or Depositor's breach of warranty.

