TECHCOMP 天美

# 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


## Annual Report 2011

* for identification purpose only

# Your leading scientific equipment integrated solutions provider.

## Contents

# Corporate Profile

## Engaged in the design, development, manufacture and distribution of analytical instruments, life science equipment and laboratory instruments. Operations are grouped into 2 business segments: manufacturing and distribution.

### MANUFACTURING

- Designs, developments, manufactures, distribution and services spectrophotometers, chromatographs, balances, deep freezers, ovens, incubators and centrifuges for a broad range of chemical analysis and life science applications
- Develops and manufactures various instruments marketed under brands named "Techcomp", "Sanco", "Dynamica" "Froilabo" and "Precisa" etc.
- Develops and manufactures analytical and life science instruments for other companies on original design manufacture ("ODM") and original equipment manufacture ("OEM")
- Manufacturing facilities in Shanghai & Europe
- Dedicated Research and Development ("R&D") team
- Contributed 31.2% of revenue in FY2011

### DISTRIBUTION

- Distributes and services analytical instruments, life science equipment and laboratory instruments
- Exclusive distributorship agreements with leading scientific instrument companies
- Strong distribution presence through Hong Kong, Singapore, India, and 15 branch offices in the PRC. Products are also distributed via our distribution network to South East Asia, South Asia, Australia, Middle East region and Europe
- Able to provide integrated solutions and turnkey laboratories to customers due to its strong technical capabilities as well as extensive product range
- Contributed 68.8% of revenue in FY2011

# Strategic Growth
## in PRC & Asian Markets

We strategically expand our network in China through our strong distribution ability for a wide range of world's leading brands of highly advanced analytical equipment. We aggressively promote our products in the rapidly growing PRC, Southeast Asia and South Asia regions.

Shanghai, China

Lyon, France

Zurich, Switzerland

Hong Kong Office

# Message to Shareholders

## Dear Shareholders,

On behalf of the Board of Directors of Techcomp (Holdings) Limited, I am pleased to present the annual results of the Group for the year ended 31 December 2011 ("FY2011").

## Stellar Revenue Growth

In 2011, Techcomp has achieved record revenue of US$154.1 million representing an increase of approximately 21.3% over last year. Revenue from our manufacturing division increased significantly by 21% to US$48.1 million. Gross profit increased by 12.9% to US$46.6 million. The profit attributable to the owner of the Company was US$8.4 million and the Group incurred one-time Hong Kong dual listing expenses of US$2.8 million. Excluding such non-recurring item, the adjusted profit attributable to the owners of the Company would have been US$11.2 million.

We have consistently delivered double-digits revenue growth, with our revenue growing more than three-fold since 2004. This stellar revenue growth has been accompanied by similar growth in profitability.

## Delivering Growth

Since our listing as a public company in 2004 on the Main Board of Singapore Exchange Securities Trading Limited, we have committed to a pursuing growth strategy of broadening our product offering, exploring new markets while continuing to expand our existing markets. This successful strategy has provided us with a sturdy platform for long term growth. Today, the Techcomp brand is synonymous with quality, excellent value-for-money and enjoys wide recognition in the scientific equipment industry. Our customer base comprises of more than 10,000 organizations which include international NGOs such as the United Nations, national and university laboratories in many countries, as well as multi-national companies in different sectors such as Healthcare, Clean Energy and Food & Beverage.

## Sustainable Growth

With Techcomp's solid position in today's market, we are confident of the long term prospects for our distribution and manufacturing business model. We are experiencing good prospects in Asia, in particular PRC and our expertise in business operations and our well-established distribution network comprising over 180 sales engineers across Asia will allow us to capture this market growth.

We remain cautiously optimistic that the growth momentum that we have built up over the years, will allow us to continue to achieve commendable results in the year to come. We are expanding our product range; improving our brand portfolio with established European brand names; enhancing our sales efficiency; and entering new markets. Hence, we are positive about the organic growth prospect of Techcomp's core operations in Asia.

In order to maximize the synergistic effect of our European acquisitions, we have been leveraging on our effective distribution network in Asia to increase the sales of the European manufactured products. The Group has also begun the process of reducing the production cost of the European operations by centralizing the sourcing of components and parts to achieve greater economies of scale. By combining the procument needs of the European operations with our own in PRC, we are gradually achieving the economies of scale to help us manage our production costs in PRC. We have also moved certain labour intensive processes to PRC, where we can achieve greater cost savings.

Besides reducing costs, we also intend to broaden the product range of our known European brands through our research and

Record breaking of

USD 154.1 million Revenue

development and sourcing program. We intend to introduce more new products into Europe in the coming year to sustain the growth momentum.

The dual listing on the Main Board of The Stock Exchange of Hong Kong Limited was a tactical move on the Group's long term strategy. We have successfully completed the primary dual listing by way of introduction and were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 21 December 2011. This gives the Group greater financial flexibility to seize additional growth opportunities as and when they arise.

## Market Outlook

For the year 2012, we will continue to focus on the PRC market where growth prospects are vast. PRC's spending on analytical instrument is targeted to increase by a compounded annual growth rate of 7.5% from US$2.8 billion in 2011 to US$3.5 billion in 2014, outpacing the global growth rate of 4.0% to US$43.9 billion. The PRC government's investments in food safety, public healthcare, science and technology, tertiary education as well as continuous support for R&D spending will continue to drive strong demand for analytical and life science instrumentation.

We will also focus on emerging markets in Asia like India and Indonesia, where we are well positioned to fulfill increasing demand for product services and support. With an expanding Asian market, the Group expects to capture the rising demand through more effective sales channel and greater economies of scale.

As for our European market, we are confident that the quality of our products and competitive pricing will create demand amongst increasingly price-conscious consumers.

## Rewarding our Shareholders

I am pleased to announce that the Board of Directors has recommended a final dividend of HK$6.2 cents per share, representing a total dividend payout ratio amounting to 22.3% in FY2011.

## Appreciation to Shareholders and Business Associates

We are grateful for the support of our shareholders and we will continue to work hard to generate higher shareholder value in the years to come.

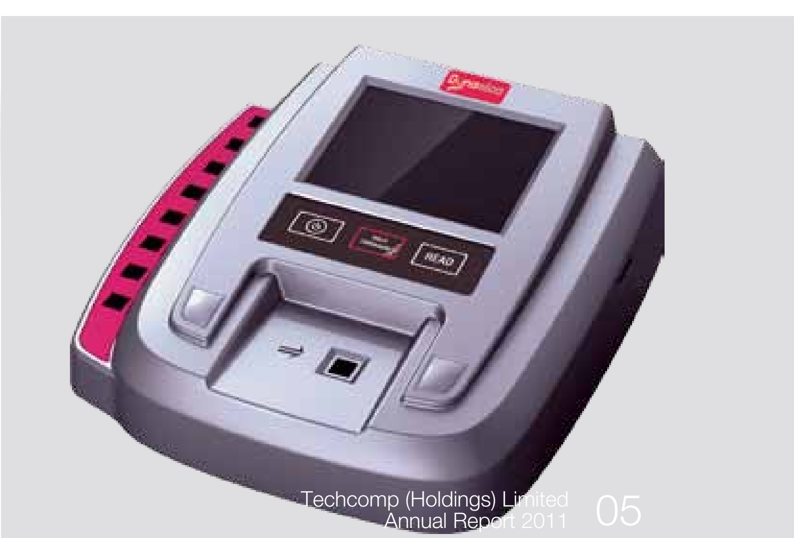
People are our assets and the foundation of Techcomp's success. We have a professional and high-caliber team of management and staff who have displayed passion and commitment to our Group's mission. On behalf of our Board of Directors, I would like to take this opportunity to thank them once again, for their earnest commitment and dedication.

At the same time, we would also like to express my most sincere gratitude to our customers, suppliers and business associates for their continued confidence in Techcomp's progress.

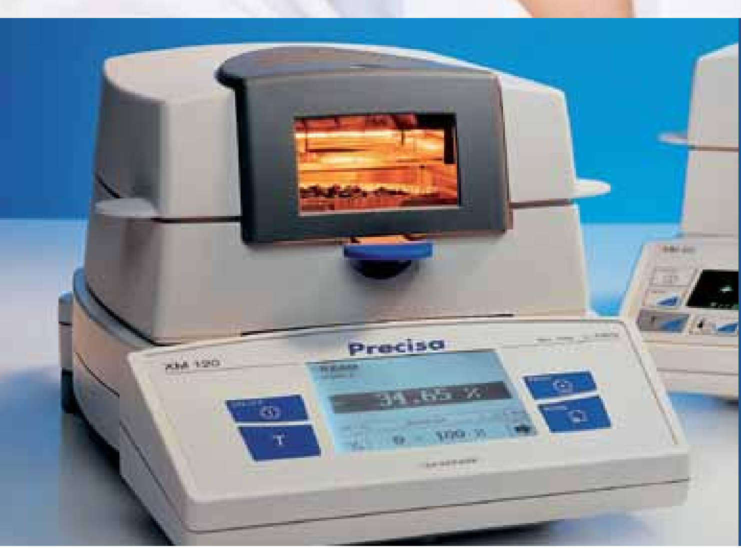
I look forward to seeing you at our Annual General Meeting.

Sincerely,

**Mr Lo Yat Keung**
President
Hong Kong, 20 March 2012

# Strengthening
## **Our Presence**




Aside from the established distribution presence through the Asian region, the Group's network and reach has expanded further through its channel network in Europe.

# Corporate Information

**Board of Directors**
Lo Yat Keung
(President & Executive Director)

Chan Wai Shing
(Vice President & Executive Director)

Xu Guoping
(Executive Director)

Ho Yew Yuen
(Independent Non-executive Director)

Seah Kok Khong, Manfred
(Independent Non-executive Director)

Teng Cheong Kwee
(Independent Non-executive Director)

**Nomination Committee**
Seah Kok Khong, Manfred
(Chairman)
Ho Yew Yuen
Teng Cheong Kwee

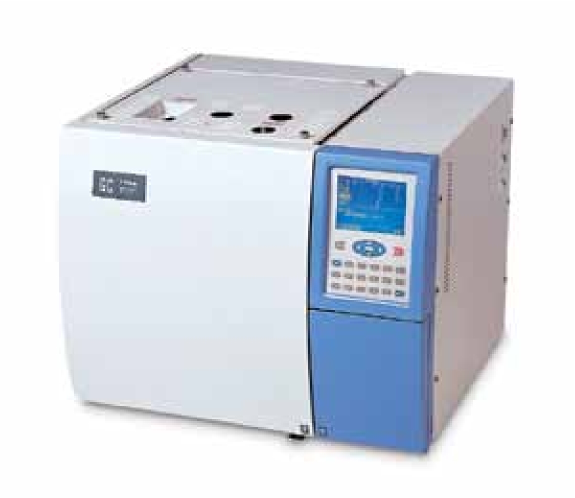
**Remuneration Committee**
Teng Cheong Kwee
(Chairman)
Ho Yew Yuen
Seah Kok Khong, Manfred

**Audit Committee**
Ho Yew Yuen
(Chairman)
Seah Kok Khong, Manfred
Teng Cheong Kwee

**Joint Company Secretaries**
Chan C.P. Grace
Sin Sheung Nam Gilbert
Wong Wai Han (practising solicitor appointed on 29 February 2012)

**Bermuda Resident Representative and Assistant Secretary**
Appleby Corporate Services (Bermuda) Ltd
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

**Registered Office**
Canon's Court, 22 Victoria Street
Hamilton HM 12 Bermuda
Bermuda Company Registration Number
34778



**Head office and principal place of business in Hong Kong**
6/F., Mita Center
552-566 Castle Peak Road
Kwai Chung, Kowloon, Hong Kong

**Singapore Share Transfer Agent**
M & C Services Private Limited
138 Robinson Road
#17-00 The Corporate Office
Singapore 068906

**Hong Kong Branch Share Registrar and Transfer Office**
Tricor Investor Service Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

**Auditors**
Deloitte & Touche LLP
Public Accountants
and Certified Public Accountants
6 Shenton Way
#32-00 DBS Building Tower Two
Singapore 068809

Partner-in-charge
Mr Chua How Kiat
(Appointed with effect from the financial year ended December 31, 2010)

# Financial and Operations Review

For the financial year ended 31 December 2011 ("FY2011"), our revenue for distribution business increased 21.4% to US$106.0 million mainly due to the continued growth of our PRC market. However, segment results from the distribution business remained at US$6.7 million as the appreciation of Japanese Yen adversely affected the cost of goods imported from Japan for this business.

Benefiting from the strong market demand in PRC for our products, our manufacturing business increased 20.9% to US$48.1 million. The segment results from manufacturing business increased 45.4% to US$5.1 million in FY2011 mainly due to gross margin expansion from the cost savings achieved by the Group's production facilities.

The profit attributable to the owners of the Company was US$8.4 million in FY2011, representing a decrease of 20.0% as compared with US$10.5 million for the financial year ended 31 December 2010 ("FY2010"). There were non-recurring expenses of US$2.8 million in connection with the Company's dual primary listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK") in FY2011 as compared to a gain of US$0.7 million on disposal of a jointly controlled entity in FY2010. Excluding such non-recurring items, the adjusted profit attributable to the owners of the Company would have increased by 13.1% to US$11.2 million in FY2011 from US$9.8 million in FY2010.

## Revenue

The Group's FY2011 revenue increased by 21.3% to US$154.1 million with our distribution and manufacturing businesses recording growth of 21.4% and 21.0% respectively. The increase was attributed mainly to the strong demand in PRC for our products in both distribution and manufacturing business. The sales generated from the PRC market increased by 29.8% to US$119.2 million.

## Cost of sales

Cost of sales increased by 25.3% to US$107.5 million and was mainly due to the increase in the cost of raw materials and direct labour for the manufacturing business as well as the increase in cost of finished products for the distribution business.

## Gross profit and gross profit margin

Gross profit in FY2011 grew by 12.9% to US$46.6 million. The overall gross profit margin achieved in FY2011 decreased by 2.2 percentage points to 30.3%. The decrease was primarily due to the appreciation of the Japanese Yen where a significant portion of the Group's purchase is denominated in this currency, particularly affecting the distribution business.

## Other operating (expenses) income

Net other operating expenses of US$2.6 million in FY2011 included US$2.8 million that were incurred in connection with the Company's dual primary listing of its shares in the SEHK. The net other operating income in FY2010 of US$1.7 million included a gain on disposal of a jointly controlled entity of approximately US$0.7 million in FY2010.

## Distribution costs

Distribution costs in FY2011 increased by 3.1% to US$12.1 million, due to the increase in sales and marketing activities during the year.

## Administrative expenses

Administrative expenses in FY2011 increased by 12.5% to US$22.2 million, in line with the growth of business activities during the year.

## Finance costs

Finance costs in FY2011 increased 27.6% to US$0.7 million, mainly due to higher average balances of bank borrowings during the year.

## Profit before income tax

Profit before income tax decreased by US$2.2 million from US$10.8 million in FY2010 to US$8.6 million in FY2011. The decrease was mainly due to the listing expenses of US$2.8 million incurred during the year.

## Income tax expenses

Income tax expenses decreased by US$0.2 million from US$0.6 million in FY2010 to US$0.4 million in FY2011 mainly due to the decrease in profits for the year.

## Profit for the year

In view of the above, profit for the year decreased by US$1.9 million from US$10.2 million in FY2010 to US$8.3 million in FY2011.

## Properties, plant and equipment

Properties, plant and equipment comprise leasehold properties, machinery and equipment, furniture and fixtures and motor vehicles. The balance decreased by US$0.4 million from US$12.7 million as at 31 December 2010 to US$12.3 million as at 31 December 2011 mainly due to annual depreciation charges.

## Intangible assets

Intangible assets comprise development costs incurred for the manufacture of analytical instruments and payments made to acquire technical know-how. The development costs and cost of technical know-how have finite useful lives and are amortised on a straight line basis over their estimated useful lives. The balance as at 31 December 2011 and as at 31 December 2010 was US$6.1 million and US$6.0 million respectively.

## Inventories

Inventories increased by US$7.6 million from US$24.4 million as at 31 December 2010 to US$32.0 million as at 31 December 2011, which was mainly due to the level of inventory of raw materials and finished goods stocked up to meet the expected increase in manufacturing and distribution activities.

## Trade and other receivables

Trade and other receivables increased by US$23.1 million from US$42.8 million as at 31 December 2010 to US$65.9 million as at 31 December 2011, mainly due to the increase in sales particular in the last quarter of the year. Trade receivables aged less than 90 days increased by US$15.8 million from US$31.4 million as at 31 December 2010 to US$47.3 million as at 31 December 2011.

## Trade and other payables

Trade and other payables increased by US$3.5 million from US$23.9 million as at 31 December 2010 to US$27.4 million as at 31 December 2011 mainly due to the increase in inventories mentioned above.

## Cash and bank balances

Cash and bank balances decreased by US$9.3 million from US$17.8 million as at 31 December 2010 to US$8.5 million as at 31 December 2011, mainly due to net cash outflow in operating and investing activities of US$13.8 million and US$1.4 million respectively. This was partially offset by the net cash inflow from financing activities of US$4.8 million.

## Liquidity, Financial Resources and Capital Structure

As at 31 December 2011, the Group's net current assets stood at US$50.4 million (31 December 2010: US$41.9 million), of which the cash and bank balances were US$8.5 million (31 December 2010: US$17.8 million). The Group's current ratio was 1.9 (31 December 2010: 1.9).

Total bank borrowings were US$30.9 million (31 December 2010: US$23.1 million). The Group's gearing ratio as at 31 December 2011 was 46.9% (31 December 2010: 40.1%), which is calculated on the basis of the Group's total interest-bearing debts over the total equity.

The Group adopts centralized financing and treasury policies in order to ensure that group funding is utilized efficiently. The Group also regularly monitors 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 and long term.

## Prospects

The Group's objective is to become one of the leading manufacturers and distributors of analytical and life science instrumentation in Asia with a global distribution network and clientele.

The Group has implemented a growth strategy comprising of several principal components as follows:

i) Further strengthening its network in the PRC and Asia;

ii) expanding its European network to increase product awareness;

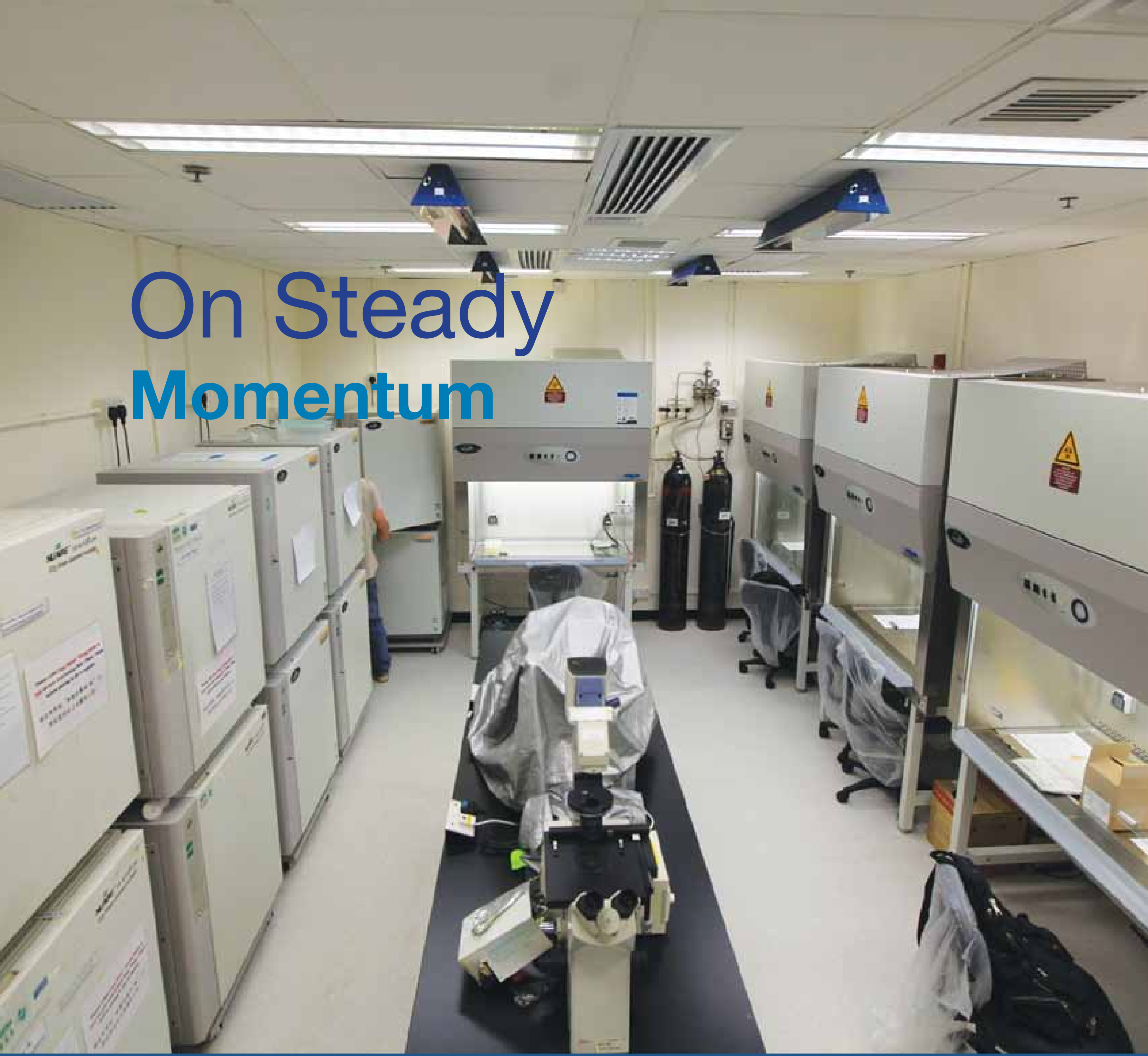
iii) expanding into other major economies such as the US;

iv) exploring of future acquisitions and joint venture opportunities;

v) strengthening of its R&D activities to shorten the new product development cycles;

vi) leveraging on the Group's current cost effective manufacturing base in China to achieve cost saving synergy for manufacturing subsidiaries in Europe.

# On Steady Momentum



**Leveraging** on the recognised brand names for both Asian and European markets, the Group has opened direct market access and cross-selling of products, leading to steady growth in both regions.

# Board of Directors

**Mr. Lo Yat Keung (勞逸強) ("Mr. Lo")**, aged 53, is the President, an executive Director and the founder of the Group. Techcomp Hong Kong was incorporated by Mr. Lo in January 1991. Mr. Lo was appointed to the Board and nominated as President of the Company on 9 February 2004. He is responsible for the overall management and operations of the Group and for charting and reviewing the corporate directions and strategies. He is also responsible for making plans for the future development and growth of the Group; considering and implementing changes in the Group's organizational structure and maintaining and developing good relations with the governmental agencies and public figures of any country which the Group has or will have operations therein. With over 20 years of experiences in the life science research and equipment industry, he has been instrumental in the growth of the Group. Mr. Lo graduated with a Bachelor of Science from the Chinese University of Hong Kong in 1981 and obtained a Master in Business Administration from the same university in 1986.

**Mr. Chan Wai Shing (陳慰成) ("Mr. Chan")**, aged 43, is the Vice-President and an executive Director. Mr. Chan was appointed to the Board and nominated as Vice-President of the Company on 9 February 2004. He is responsible for the overall distribution operations of the Group. He is also responsible for the overall sales operations in the PRC and Hong Kong and is in charge of the development of the export business for international sales. Prior to joining the Group, Mr. Chan worked as an executive officer with the Hong Kong Government from June 1990 to October 1990. He joined the Group in 1991 as a product specialist. In 1992, he was promoted to sales manager and his main responsibilities were leading the sales teams of the Group, promoting strategies and directions and building relationships with customers and distributors. In July 1996, he was appointed as a Vice- President which he assisted in the analysis of technical derivation and coordination of technical services and sales. Mr. Chan obtained a Bachelor of Science from the Chinese University of Hong Kong in 1990.

**Mr. Xu Guoping (徐國平) ("Mr. Xu")**, aged 62, the managing Director of Shanghai Techcomp Instrument and an executive Director. Mr. Xu was appointed to the Board on 28 May 2004. He is responsible for the overall house brand business of the Group. From 1968 to 1979, Mr. Xu worked as a supervisor in Shanghai Magnetic and Steel Limited. He was promoted to head its publicity division in 1974. From 1979 to 1994, Mr. Xu held various posts in the publicity, production and business administration department in Shanghai Analytical Instrument Factory which is a state-owned enterprise focuses on producing analytical instruments. Mr. Xu joined the Group in 1994. He obtained a Diploma in Chinese from the Shanghai Jing An District Vocational Industrial University in 1984 and a Diploma in Business Administration from the Central Television University in 1986.

**Mr. Seah Kok Khong, Manfred ("Mr. Seah")**, aged 50, is one of the independent non- executive Directors. He was appointed to the Board on 14 February 2007. Mr. Seah has more than 15 years of investment banking and direct investments experience in Asia. He is presently the group chief operating officer of WhiteRock Medical Company Pte Ltd, a regional medical devices group based in Singapore. He is responsible for the business development and managing the day-to-day administrative and operational activities of the Company. From 1996 to 2000, he served as the CEO of a Philippines based corporate advisory and securities firm, which was funded by a major Singapore corporation. From 1992 to 1996, he held senior positions at PrimeEast Capital Asia and Morgan Grenfell Asia, which are leading investment banks in Singapore and London respectively. Mr. Seah worked in a firm of Chartered Accountants in London after his graduation in 1984, where he continued to serve as a management & systems consultant advising SMEs in the UK until 1990. Mr. Seah graduated with a Bachelor of Science degree (First Class Honours) in Mathematics from the University of London in 1984 and obtained his master of Business Administration from London Business School in 1992. He is also a qualified Chartered Accountant associated with the Institute of Chartered Accountants in England and Wales.

**Mr. Ho Yew Yuen ("Mr. Ho")**, aged 68, is one of the independent non-executive Directors. He was appointed to the Board on 28 May 2004. He joined Ernst & Young Singapore as an audit trainee in 1961. He became a senior partner of Ernst & Young Singapore until his retirement in 1999. His clients ranged from large public-listed blue-chip companies with extensive overseas operations in Asia (including China) as well as multinational corporations dealing in various industries such as food and drinks, oil and gas, building and construction etc. Mr. Ho is currently the managing director of his own consultancy company in Singapore. Mr. Ho was admitted as a fellow of the Institute of Chartered Accountants in England and Wales in 1979 and, a fellow of the Association of Certified Accountants. Mr. Ho has obtained his Association of Chartered Certified Accountants qualification and his Institute of Chartered Accountant in England and Wales qualification.

**Mr. Teng Cheong Kwee ("Mr. Teng")**, aged 58, is one of the independent non-executive Directors. He was appointed to the Board on 28 May 2004. From 1979 to 1989, he worked with the Singapore Securities Industry Council Secretariat (''SIC'') as an assistant secretary and subsequently was promoted as the Secretary. SIC is an advisory and consultative body set up to administer the Singapore Code and Take-overs and Mergers. From 1985 to 1989, he served as Assistant Director of the Banking and Financial Institutions Department of the Monetary Authority of Singapore and assisted in the administration of the Securities Industries Act and licensing and supervision of securities brokers and investment before being appointed to the Stock Exchange of Singapore. From 1989 to 2000, he served as an Executive Vice President of SGX-ST, and later as Executive Vice President and Head, Risk Management & Regulatory Division, of the SGX-ST. Mr. Teng currently also serves as an independent director on several SGX listed companies namely, First Resources Limited (stock code: EB5), AEI Corporation Limited (stock code: A18), Memtech International Limited (stock code: M26) and StatsChipPac Limited (stock code: S24). He obtained a Bachelor of Engineering (Industrial) (First Class Honours) and a Bachelor of Commerce from the University of Newcastle, New South Wales, Australia in 1978.

# Senior Management

**Mr. Sin Sheung Nam, Gilbert (冼尚南) ("Mr. Sin")**, aged 38, is the financial controller and one of the company secretaries of the Group. He is responsible for the overall accounting function of the Group. Prior to joining the Group in 2003, Mr. Sin worked in one of the big four international accounting firms as a Semi-Senior Accountant. Mr. Sin obtained a Bachelor of Business Administration from the Chinese University of Hong Kong in 1995. He is an associate member of the Hong Kong Institute of Certified Public Accountants.

**Mr. Tse Po Wah (謝寶華) ("Mr. Tse")**, aged 49, is the Director of Marketing of Techcomp Hong Kong since he joined the company in 1999. Mr. Tse is also the president of Techcomp China since August 2011. He is responsible for the marketing of the Group's products in Hong Kong and PRC. Mr. Tse is also responsible for management and day-to-day operations of distribution offices in China. He obtained a Bachelor of Science from the University of Hong Kong in 1985 and a Diploma of Business Management from the Chinese University of Hong Kong in 1992.

**Mr. Xia Yisheng (夏奕生) ("Mr. Xia")**, aged 56, is the Vice President of Techcomp China. He is responsible for marketing and regional management in the PRC. Mr. Xia joined the Chong Qing liaison office in 1993 and held the position of sales manager before becoming the marketing manager of Techcomp (Hong Kong) Trading in 1997. He assumed his present position in 2006. Mr. Xia obtained a Bachelor of Science from Chongqing Teachers' University in 1982 and a Master in Science from the Biology Institute, Nankai University in 1988.

**Ms. Zhao Wei (趙薇) ("Ms. Zhao")**, aged 45, is the Vice President of Techcomp China. Ms. Zhao joined the Group in 2000. She is responsible for the sales of entire China and the management and day-to-day operations of Beijing, Shenyang and Jinan offices. She obtained a Bachelor of Chemistry from the University of Science and Technology of China in 1991, a Master of Chemistry form Chinese Academy of Sciences in 1994, and full-time MBA from State University of New York, USA in 2003.

**Mr. Jürg Strub ("Mr. Strub")**, aged 60, is the CEO of Precisa Gravimetrics since 2007. He is responsible for management and daily operations of Precisa Gravimetrics. Prior to Precisa Gravimetrics AG, he served as CEOs for various start-up and international companies since 1991. He is the president of the Board of Micro Center Central Switzerland (MCCS) and president of Technologieforum Zug. Mr. Strub obtained a Bachelor of Electronic Engineering from the Technical University ETH Zurich, Switzerland in 1975, and Masters of Economics at University of Zurich, Switzerland in 1980.

**Mr. Joel Cinier ("Mr. Cinier")**, aged 54, is the CEO of Froilabo since 1998. He is responsible for management and daily operations of Froilabo. Mr. Cinier acquired Froilabo in 1998 and served as the executive Director since then until July 2009. Mr. Cinier obtained a Bachelor Degree from University of Grenoble, Graduation University of Technology in France in 1980.

# Report on
# Corporate Governance

The Board of Directors (the "Board") of Techcomp (Holdings) Limited (the "Company") is committed to maintaining high standards of corporate governance to advance its mission to create value for the Company's shareholders. This report sets out the corporate governance practices that are in place during the year ended December 31, 2011, with reference to the principles and guidelines of the Code of Corporate Governance 2005 (the "Singapore Code") issued by the Council Corporate Disclosure and Governance, Singapore and the Code on Corporate Governance Practices (the "Hong Kong Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), as well as any deviation from any guidelines of the Hong Kong Code and the Singapore Code together with an explanation for such deviation.

**Board Matters**

**Principle 1: Effective Board to lead and control the Company**

The Board has six directors (the "Directors"), comprising three executive Directors and three independent non-executive Directors. Collectively, the Directors possess the core competencies and diversity of experience to enable them to contribute effectively to the Group.

The Board approves the key business and strategic plans, major investments and funding decisions, reviews financial performance including approval of the annual and interim results, approves the nomination of directors, reviews the adequacy and integrity of internal controls, and assumes responsibility for corporate governance, of the Company and its subsidiaries (collectively the "Group"). The Company's bye-laws (the "Bye-Laws") provide for participation at meetings via telephone and other electronic means.

The Board has formed three committees namely, an Audit Committee (the "AC"), a Remuneration Committee (the "RC") and a Nomination Committee (the "NC"), to assist in the discharge of its responsibilities efficiently and effectively. All committees are chaired by an independent non-executive Director and consist of members who are independent.

The meetings of the Directors in the financial year ended December 31, 2011 were as follows:-

| | Board | AC | NC | RC |
|---|---|---|---|---|
| **No. of meetings held** | 3 | 3 | 1 | 1 |
| | | **No. of meetings attended** | | |
| *Executive Directors* | | | | |
| Mr. Lo Yat Keung | 3 | – | – | – |
| Mr. Chan Wai Shing | 3 | – | – | – |
| Mr. Xu Guoping | 3 | – | – | – |
| *Independent Non-executive Directors* | | | | |
| Mr. Ho Yew Yuen | 3 | 3 | 1 | 1 |
| Mr. Seah Kok Khong, Manfred | 3 | 3 | 1 | 1 |
| Mr. Teng Cheong Kwee | 3 | 3 | 1 | 1 |

**Principle 2: Strong and independent element on the Board**

The independence of each independent non-executive Director is reviewed annually by the NC based on the guidelines set out in both the Singapore Code and the Hong Kong Code. With half of the Board members being independent, the Board considers that it is able to exercise independent judgment on matters brought before it for review and decision.

# Report on Corporate Governance

For the year ended December 31, 2011, the Board has at all times complied with the minimum requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors and complied with the requirement that these should include one such Director with appropriate professional qualifications of accounting or related financial management expertise. Furthermore, the Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules as well as the provisions of the Singapore Corporate Governance Code and the Company considers the independent non-executive Directors to be independent.

The NC is of the view that the current board size and composition is appropriate, taking into account the nature and scope of the business and operations of the Group. The profile of the Directors is set out on page 11 of this Annual Report.

Particulars of interests of Directors who held office at the year ended December 31, 2011 in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are set out in the Report of the Directors on page 25 of this Annual Report.

**Principle 3: Role of Chairman and Chief Executive Officer**

Mr. Lo Yat Keung, the controlling shareholder, is the Chairman and Chief Executive Officer of the Company. He plays a vital role in developing the business of the Group and provides leadership and vision to the Group. As such, it is a deviation from Code Provision A.2.1 of the Hong Kong Code and Paragraph 3.1 of the Singapore Code. According to those provisions of the Hong Kong Code and Singapore Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Given the size of the Company's current business operations and nature of its activities, the Board is of the view that it is not necessary to separate the roles of the Chairman and Chief Executive Officer. In addition, as three out of six Directors are independent non-executive Directors, and each of the three Board Committees is chaired by an independent non-executive Director and comprises members who are all independent non-executive Directors, the Board is of the view that there is an appropriate balance of power within the Board, and that there is no undue concentration of power and authority in a single individual. As such, the Company considers that sufficient measures have been taken to ensure the Company's corporate governance practices are in line with those in both the Singapore Code and Hong Kong Code.

In consultation with the Directors, the Chairman approves meeting schedules of the Board, agendas for Board meetings and is advised of meetings of Board Committees.

**Nomination Committee**

**Principle 4: Formal and transparent process for appointment of new Directors**
**Principle 5: Board Performance**

The NC as at the date of this report comprises the following members, all of whom are independent non-executive Directors:-

Mr. Seah Kok Khong, Manfred (Chairman)
Mr. Ho Yew Yuen
Mr. Teng Cheong Kwee

The Chairman of the NC is not associated in any way with the substantial shareholders of the Company.

The NC is guided by its Terms of Reference, which sets out its responsibilities. It is responsible for the review of candidates for nomination and re-nomination as Director, taking into consideration each candidate's qualifications and experience and how he can contribute to the effectiveness of the Board. The NC is also responsible for recommending a framework for evaluation of the Board's effectiveness, as well as evaluating the Board's effectiveness and the contribution of each individual Director to the effectiveness of the Board.

The NC carried out its function including the following:

(i) To establish procedures for and make recommendations to the Board on all board appointments and re-appointments (particularly for the Chairman and CEO) and make recommendations to the Board regarding the succession plans.

(ii) In respect of re-nominations, to have regard to the Director's contribution and performance (eg. attendance, preparedness and participation) including, if applicable, as an independent Director.

(iii) Review the Board's structure, number of members and composition (including the members' skills, knowledge and experience) at least annually and make recommendations on any proposed change to the Board to complement the Company's corporate strategy.

(iv) Where a Director has multiple board representations, to decide whether the Director is able to and has been adequately carrying out his duties as director.

(v) To assess the independence of the independent non-executive Directors; where the Board proposes a resolution to elect an individual as an independent non-executive Director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe the individual should be elected and the reasons why they consider him/her to be independent.

(vi) To establish procedures for evaluation of the Board's performance and assess the effectiveness of the Board as a whole, propose objective performance criteria as approved by the Board that allows comparison with its industry peers, and address how the Board has enhanced long term shareholders' value.

(vii) To identify gaps in the mix of skills, experience and other qualities required in an effective Board and nominate or recommend suitable candidate(s) to fill these gaps.

(viii) To ensure that all Board appointees undergo an appropriate induction programme.

For the financial year ended December 31, 2011, the NC carried out an assessment of the Board's performance, and the findings were discussed with participation from the executive Directors.

The NC is also charged with the responsibility of determining annually whether a Director is independent. Each member of NC will not take part in determining his own re-nomination or independence.

Under the Bye-Laws, at least one third of the Directors are required to retire from office by rotation and they are eligible for re-election at the Company's Annual General Meeting. Thus, each Director must retire from office at least once every three years. In addition, a newly appointed Director must retire and submit himself for re-election at the forthcoming Annual General Meeting after his appointment pursuant to Bye-Law 104 of the Bye-Laws.

The NC had recommended the re-nomination of Mr. Chan Wai Shing and Mr. Teng Cheong Kwee for re-election at the forthcoming Annual General Meeting. The Board had accepted the NC's recommendation.

# Report on Corporate Governance

**Access to information**

**Principle 6: Board members to have complete, adequate and timely information**

The Board is provided with complete, adequate and timely information of the Group's performance and is informed of all material events and transactions as and when they occurred. The Directors have separate and independent access to the Company's senior management and the company secretaries at all times. The management updates the Board on the Company's performance and outlook at each board meeting. The Directors, in consultation with the Chairman, have the right to seek, either individually or as a group, in the furtherance of their duties, independent professional advice, if necessary, at the Company's expense.

Mr. Sin Sheung Nam Gilbert, one of the joint company secretaries, attends all board meetings and is responsible for ensuring that Board procedures are followed. Mr. Sin, together with the management, is also responsible for ensuring the Group's compliance with the Bermuda Companies Act and all other rules and regulations that are applicable to the Group.

**Remuneration Matters**

**Principle 7: Procedures for developing remuneration policies**
**Principle 8: Level and mix of remuneration**
**Principle 9: Disclosure on remuneration**

The RC as at the date of this report comprises the following members, all of whom are independent Directors:-

Mr. Teng Cheong Kwee (Chairman)
Mr. Ho Yew Yuen
Mr. Seah Kok Khong, Manfred

The RC is responsible for recommending to the Board a framework for the remuneration of Directors and key executives. The review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and other benefits. The RC also oversees the administration of the Company's share option scheme. The RC's recommendations are made in consultation with the Chief Executive Officer and submitted for endorsement by the Board. No Director is involved in any decision making, in respect of any remuneration or compensation to be offered or granted to him.

The RC carried out its function including the following:

(i) To recommend to the Board a framework of remuneration for the Board and executive officers; and either to determine, with delegated responsibility, remuneration packages for senior management and individual executive Directors, or to make recommendations to the Board on the remuneration packages for senior management and individual executive Directors; such recommendations to be submitted for endorsement by the entire Board and should cover all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options, benefits in kind and retirement rights and compensation, including compensation payable for loss or termination of their office or appointment.

(ii) To review the remuneration packages of all managerial staff who are related to any of the executive Directors or the Chief Executive Officers.

(iii) To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives.

(iv) To make recommendations to the Board on the remuneration of non-executive Directors.

(v) To consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group.

(vi) In the case of service contracts, to consider what compensation commitments the Directors' and senior management officers' contracts of service, if any, would entail in the event of early loss or termination with a view to be fair and avoid rewarding poor performance. To ensure that it is consistent with contractual terms and is otherwise fair and not excessive.

(vii) To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate.

(viii) To ensure that no Director or any of his associates is involved in deciding his own remuneration.

(ix) To recommend to the Board in consultation with senior management and the Chairman of the Board, any long term incentive scheme.

(x) In respect of any share option schemes as may be implemented, to consider whether Directors should be eligible for benefits under such incentive schemes.

(xi) To ensure that any Director or his affiliates shall not determine his own remuneration.

(xii) To recommend to shareholders on the appointment of directors whose service contracts shall be disclosed under the listing rules each of the Singapore Exchange Securities Trading Limited (SGX-ST) and The Stock Exchange of Hong Kong Limited.

(xiii) To consult the chairman and/or chief executive officer about their proposals relating to the remuneration of other executive Directors and have access to professional advice if considered necessary.

(xiv) To report to the Board summarizing the work performed by the RC members in carrying out their functions.

The independent non-executive Directors are paid directors' fees. Each independent non-executive Director is paid a basic retainer fee, plus additional fees for serving as Chairman or member of a Board Committee, taking into account their respective contributions, responsibilities, efforts and time spent on the Company.

A breakdown, showing the level and mix of each Director's remuneration for the financial year ended December 31, 2011 is as follows:-

| **Remuneration band** | **Salary#** % | **Fees** % | **Bonus** % | **Other Benefits** % | **Total** % |
|---|---|---|---|---|---|
| **Less than S$250,000** | | | | | |
| Mr. Lo Yat Keung | 81 | – | 18 | 1 | 100 |
| Mr. Chan Wai Shing | 46 | – | 10 | 44 | 100 |
| Mr. Xu Guoping | 48 | – | 11 | 41 | 100 |
| Mr. Seah Kok Kong, Manfred | – | 100 | – | – | 100 |
| Mr. Ho Yew Yuen | – | 100 | – | – | 100 |
| Mr. Teng Cheong Kwee | – | 100 | – | – | 100 |

Save as disclosed above, the Company does not have any employees who are immediate family members of a Director or the Chief Executive Officer whose remuneration exceeds S$150,000 in the financial year ended December 31, 2011.

The summary of 5 highest-paid employees' remuneration for the financial year ended December 31, 2011 is as follows:-

| Remuneration band | Salary# % | Fees % | Bonus % | Other Benefits % | Total % |
|---|---|---|---|---|---|
| **S$250,000 to S$499,999** | | | | | |
| Mr. Jurg Strub | 80 | – | – | 20 | 100 |
| **Less than S$250,000** | | | | | |
| Mr. Joel Cinier | 97 | – | – | 3 | 100 |
| Mr. Li Hong, Don | 66 | – | 12 | 22 | 100 |
| Mr. Sin Sheung Nam, Gilbert | 45 | – | 10 | 45 | 100 |
| Mr. Tse Po Wah | 52 | – | 10 | 38 | 100 |

# The salary percentage shown is inclusive of pension costs.

The remuneration of the executive Directors and the key executives comprise a basic salary component and a variable component, which is the performance bonus, based on the performance of the Group as a whole and their individual performance.

**Accountability and Audit**

**Principle 10: Accountability and Audit**

In presenting the annual financial statements and interim and annual announcements to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the performance, position and prospects of the Company and the Group as a whole.

The management provides the Board with relevant information on a timely basis in order that it may effectively discharge its duties.

The Board also acknowledges its responsibility for preparing the financial statements of the Group. The Board ensures that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards. The directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in "The Independent Auditor's Report" on pages 30 of this Annual Report.

**Audit Committee**

**Principle 11: Audit Committee**

The AC as at the date of this report comprises the following members, all of whom are independent Directors:-

Mr. Ho Yew Yuen (Chairman)
Mr. Teng Cheong Kwee
Mr. Seah Kok Khong, Manfred

The AC has reviewed the following, where relevant, with the executive Directors and the external auditors of the Company:

a) assist the Board with discharging its responsibility to:-

   – safeguard the Company's assets;

   – maintain adequate accounting records; and

   – develop and maintain effective systems of internal control and internal audit functions;

b) review the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;

c) review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance; and

d) make recommendations to the Board on the appointment, re-appoint and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor.

The AC has undertaken a review of all the non-audit services provided by Deloitte & Touche LLP during the financial year ended December 31, 2011, and is satisfied that such services would not, in the AC's opinion, affect the independence of Deloitte & Touche LLP as the Company's external auditors. The AC has recommended to the Board that Deloitte & Touche LLP be nominated for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting. During the year ended December 31, 2011, the Company has paid an aggregate of approximately US$359,000 (2010: US$420,000) to the external auditor for its audit services, and has paid non-audit fees of approximately US$40,000 to the external auditors for its other professional services.

The AC has full access to and co-operation of the management and has been given the resources required for it to discharge its functions properly. It has full discretion to invite any Director and executive officer to attend its meetings. The AC has also met with the external auditors, without the presence of the management of the Company during the year.

The Company has put in place a procedure for whistle-blowing whereby staff of the Company can have access to the AC members to raise concerns about improprieties.

**Internal Controls**

**Principle 12: Internal Controls**

The Board has overall responsibility for maintaining a sound system of internal controls and effective risk management policies to safeguard the shareholders' investment and the Group's assets.

# Report on Corporate Governance

In the course of their statutory audit, the Company's external auditors carried out a review of the effectiveness of the Company's material internal controls. No material compliance issues or internal control weaknesses were noted by the external auditors.

The Board, with the concurrence from the AC, is satisfied that such an arrangement is adequate and in the best interest of the Company.

**Internal Audit**

**Principle 13: Internal audit**

The Company has set up an internal audit function, staffed by persons with relevant experience drawn from existing staff. The internal audit staff report functionally to the AC. Considering the scale and nature of the Company's operations, the Board is satisfied that such an arrangement is adequate and in the best interests of the Company. The internal audit staffing is currently undergoing a reorganization and will be strengthened as is deemed necessary.

**Communication with Shareholders**

**Principle 14: Communication with shareholders**
**Principle 15: Greater participation by shareholders**

The Company engages in regular, effective and fair communication with its shareholders, and has appointed an investor relation firm to advise on and facilitate this process. The Company sees the merits of holding briefings for investors and analysts as a means to promote better understanding of the Company's business and operations. However, it does so without compromising the principles of fair and equitable disclosure. Price sensitive announcements including annual and half-year results are released through SGXNET and The Stock Exchange of Hong Kong Limited (the "SEHK") announcements and the Company's website. The Company will also update investors and shareholders on the Group's development by making relevant announcements from time to time.

All shareholders of the Company will be sent a copy of the annual report and notice of Annual General Meeting. At the Annual General Meeting, the Board, the Chairpersons of the AC, RC and NC and the management will be available to answer questions that shareholders may have concerning the Company. The external auditors will also be present to assist the Directors in addressing any relevant queries from the shareholders.

**Dealing in Company's Securities**

The Group adopted the required standards in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") which prohibits the Directors and relevant officers from trading in the Company's securities during the period beginning 60 and 30 days immediately before the date of the announcement of the full year or half-year results respectively and ending on the date of the announcement of the relevant results. Directors and employees are also advised against dealing in its securities at any time when they are in possession of any unpublished material price-sensitive information relating to the Group.

The Board confirms, having made specific enquiries with all Directors, that during the year ended December 31, 2011, all members of the Board complied with the required standards of the Model Code.

**Interested person transactions**

During the financial year ended December 31, 2011, there were no interested party transactions. When a potential conflict of interest arises, the director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

The AC reviews all interested person transactions to be entered into to ensure that the relevant rules under Chapter 9 of the SGX-ST Listing Manual are complied with.

**Material Contracts**

There were no material contracts of the Company or its subsidiaries involving the interest of any director or controlling shareholder subsisting at the end of the financial year ended December 31, 2011.

# Report of the Directors

The directors (the "Directors") of Techcomp (Holdings) Limited (the "Company") are pleased to present their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2011.

## 1. LISTING ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "SEHK")

The Company's ordinary shares (the "Shares") were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") on December 21, 2011 by way of introduction. As a result, the Company now has a dual primary listing of its Shares on both the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SEHK.

## 2. PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are set out in notes 10 and 14 respectively to the audited consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

## 3. RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2011 are set out in the consolidated statement of comprehensive income on pages 33. No interim dividend was paid during the year. The Directors recommend the payment of a final dividend of HK$0.062 equivalent to approximately US$0.0079 per share to the shareholders on the register of members on May 8, 2012, amounting to HK$14,415,000 equivalent to US$1,848,000 in aggregate, and the retention of the remaining profit in the Company.

## 4. SUMMARY FINANCIAL INFORMATION

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements, is set out on page 99 of this Annual Report. This summary does not form part of the audited consolidated financial statements.

## 5. PROPERTIES, PLANT AND EQUIPMENT

Details of movements in the properties, plant and equipment of the Group during the year are set out in note 13 to the audited consolidated financial statements.

## 6. MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2011, sales to the Group's five largest customers accounted for approximately 9.5% of the total sales for the year and the single largest customer accounted for approximately 2.8%; purchases from the Group's five largest suppliers accounted for approximately 55.7% of the total purchases for the year and the single largest supplier accounted for approximately 44.1%.

None of the Directors or any of their associates or any Shareholders (who, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

## 7. SHARE CAPITAL AND SHARE OPTION SCHEMES

Details of the movements in the issued share capital of the Company and share option scheme during the year are set out in notes 22 and 23 respectively to the audited consolidated financial statements.

Holders of the share option have no right to participate in any share issue of any other company. No employee or employee of related corporations has received 5% or more of the total options available except as disclosed below.

The following are participants who received 5% or more of the total number of ordinary share options available under the Scheme:

| Name of participant | Options granted during the financial year | Aggregate options granted since commencement of Scheme to end of the financial year | Aggregate options exercised since commencement of Scheme to end of the financial year | Aggregate options cancelled/ lapsed since commencement of Scheme to end of the financial year | Aggregate options outstanding as at end of the financial year |
|---|---|---|---|---|---|
| Chan Wai Shing* | 700,000 | 2,500,000 | – | – | 2,500,000 |
| Xu Guoping* | 700,000 | 2,500,000 | – | – | 2,500,000 |
| Sin Sheung Nam, Gilbert | 700,000 | 2,020,000 | – | – | 2,020,000 |

* Chan Wai Shing and Xu Guoping are the only directors of the Company participating Share Option Scheme.

There are no options granted to any of the Company's controlling shareholders or their associates (as defined in the Singapore Exchange Securities Trading Listing Manual).

## 8. PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## 9. PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, there was no Purchases, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities on the SEHK and SGX-ST.

## 10. DISTRIBUTABLE RESERVES OF THE COMPANY

Details of the movements in the reserves of the Company during the year are set out in note 24 to the audited consolidated financial statements and in the consolidated statement of changes in equity.

## 11. DIRECTORS

The Directors of the Company in office at the date of this report are:

*Executive Directors*

Lo Yat Keung (Chairman and chief executive officer)
Chan Wai Shing
Xu Guoping

*Independent non-executive Directors*

Ho Yew Yuen
Teng Cheong Kwee
Seah Kok Khong, Manfred

Mr. Chan Wai Shing and Mr. Teng Cheong Kwee will retire in accordance with Company's Bye-law 104 at the Company's forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

The Company has received annual confirmations of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") as well as the provisions of the Singapore Corporate Governance Code and still considers them to be independent.

Every Director shall retire from office once every three years and for this purpose, at each Annual General Meeting one-third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest one-third (1/3) but not less than one-third (1/3) shall retire from office by rotation. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. Subject to the Statutes, a retiring Director shall be eligible for re-election at the meeting at which he retires. For avoidance of doubt, each Director shall retire at least once every three (3) years.

## 12. DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 11 to 12 of this Annual Report.

## 13. DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's Board of Directors with reference to directors' duties, responsibilities and performance and the results of the Group.

## 14. DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the year.

## 15. MANAGEMENT CONTRACTS

No contracts concerning management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## 16. DIRECTORS' INTERESTS IN SHARES

At December 31, 2011, the interests of the Directors and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

**Long position**

(a) *Ordinary shares of US$0.05 each of the Company ("Shares")*

| | At December 31, 2011 | | | At January 21, 2012 | | |
|---|---|---|---|---|---|---|
| **Name of Director** | **Directly beneficially owned** | **Through spouse** | **Approximate percentage of the issued share capital of the Company** | **Directly beneficially owned** | **Through spouse** | **Approximate percentage of the issued share capital of the Company** |
| Lo Yat Keung* | 104,956,500 | 7,500,000 | 48.37 | 104,956,500 | 7,500,000 | 48.37 |
| Chan Wai Shing | 9,720,000 | – | 4.18 | 9,720,000 | – | 4.18 |
| Xu Guoping | 9,870,000 | – | 4.25 | 9,870,000 | – | 4.25 |
| Ho Yew Yuen | 300,000 | – | 0.13 | 300,000 | – | 0.13 |

* Held in the name of his spouse, Yung Yat

(b) *Share options of the Company ("Share Options")*

| | At December 31, 2011 | At January 21, 2012 |
|---|---|---|
| **Name of Director** | **Number of Shares to be issued subject to the option** | **Number of Shares to be issued subject to the option** |
| Chan Wai Shing | 2,500,000 | 2,500,000 |
| Xu Guoping | 2,500,000 | 2,500,000 |

There are no options granted to any of the Company's controlling shareholders or their associates (as defined in the Listing Manual of SGX-ST (the ("Listing Manual")).

There was no change in the above-mentioned interest between the end of the financial year and January 21, 2012.

Save as disclosed above, as at December 31, 2011, none of the Directors and Chief Executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

## 17. CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

## 18. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Please refer to Shareholdings Statistics set out on pages 100 to 101 of this Annual Report for details on interests and short positions of 5% or more of the issued share capital of the Company that were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Save as disclosed in the Shareholdings Statistics, no person, other than the Directors of the Company, whose interests are set out in the section "Directors' and Chief Executive's interests and short positions in shares and underlying shares and debentures" above, has an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## 19. INTERESTED PERSON TRANSACTIONS, CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year under review, there were no interested person transactions (as defined under the Listing Manual), and details of the connected transactions (as defined under the Listing Rules) are set out in note 10 to the audited consolidated financial statements.

The Group has entered into the following continuing connected transaction as defined under the Listing Rules. These continuing connected transaction between certain connected parties (as defined in the Listing Rules) and the Group also constituted certain related party transactions as disclosed in note 10 to the audited consolidated financial statements.

On December 1, 2011, the Company and Techcomp Jingke Trading (Shanghai) Co., Ltd. ("Jingke Trading") an associate of the Company, entered into a master supply agreement (the "Master Supply Agreement"), pursuant to which, among other things, the Company agreed to supply or procure other members of the Group to supply, and Jingke Trading agreed to purchase, analytical and laboratory instruments, mainly balance, manufactured or distributed by the Group. The Master Supply Agreement is for a term commencing from the date of the Master Supply Agreement and expiring on December 31, 2013. The total amount of sales made to Jingke Trading for the year ended December 31, 2011 under the Master Supply Agreement amounted to approximately US$3.6million (2010: US$1.4million).

As the value of Jingke Trading's total assets, profits and revenue represents significantly less than 10% under the relevant percentage ratios as defined under Rule 14.04(9) of the Listing Rules for the period since its establishment of the associate, the transactions contemplated under the Master Supply Agreement constitute exempt continuing connected transactions under Rule 14A.31(9) of the Listing Rules which will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) confirm that the supply of the analytical and laboratory instruments under the Master Supply Agreement has been entered into in the ordinary and usual course of the Group's business and is based on normal commercial terms or terms no less favourable than those available to an independent third party that is fair and reasonable and in the interest of the Shareholders as a whole, and that it has not exceeded the annual caps for the transactions under the Master Supply Agreement as set out in the listing document of the Company dated December 9, 2011.

The Company confirms that the Group has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules and save as aforesaid, that there were no other transactions which need to be disclosed as connected transactions or continuing connected transactions in accordance with the requirements under the Listing Rules.

**20. SUFFICIENCY OF PUBLIC FLOAT**

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this Annual Report.

**21. AUDIT COMMITTEE**

The Audit Committee of the Company is chaired by Ho Yew Yuen, an independent non-executive Director, and includes Teng Cheong Kwee and Seah Kok Khong, Manfred who are also independent non-executive Directors. The Audit Committee met 3 times since the last Annual General Meeting ("AGM") and has reviewed the following with the executive Directors and external auditors of the Company:

a) assist the Board with discharging its responsibility to:-
   - safeguard the Company's assets;
   - maintain adequate accounting records; and
   - develop and maintain effective systems of internal control and internal audit functions;

b) review the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;

c) review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance; and

d) make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. The external auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the Directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Company at the forthcoming AGM of the Company.

**22. EVENTS AFTER THE REPORTING PERIOD**

Details of significant events occurring after the reporting period are set out in note 37 to the audited consolidated financial statements.

**23. AUDITORS**

Deloitte & Touche LLP, Certified Public Accountants, have expressed their willingness to accept re-appointment as independent auditors.

On behalf of the Board of Directors

**Lo Yat Keung**
*Director*

**Chan Wai Shing**
*Director*

March 20, 2012

# Statement of Directors

In the opinion of the Directors, the consolidated financial statements of the Group together with notes, and the statement of financial position and statement of changes in equity of the Company as set out on pages 31 to 98 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2011 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE DIRECTORS

Lo Yat Keung

Chan Wai Shing

March 20, 2012

# Independent Auditors' Report

To the members of Techcomp (Holdings) Limited

**Report on the Financial Statements**

We have audited the accompanying financial statements of Techcomp (Holdings) Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and the Company as at December 31, 2011, and the statement of comprehensive income, statement of changes in equity and cash flow statement of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 31 to 98.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2011 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Public Accountants and
Certified Public Accountants
Singapore

Chua How Kiat
Partner
Appointed with effect from the financial year ended December 31, 2010

March 20, 2012

# Statements of Financial Position

December 31, 2011

| | Note | Group 2011 | Group 2010 | Company 2011 | Company 2010 |
|---|---|---|---|---|---|
| | | US$'000 | US$'000 | US$'000 | US$'000 |
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and bank balances | 6 | 8,515 | 17,768 | – | – |
| Trade and other receivables | 7 | 65,918 | 42,762 | – | 48 |
| Inventories | 8 | 32,000 | 24,419 | – | – |
| Income tax recoverable | | 196 | 17 | – | – |
| Investments carried at fair value through profit or loss | 9 | 557 | 675 | – | – |
| Amount due from an associate | 10 | 754 | 718 | – | – |
| Amount due from non-controlling interests | 11 | – | 640 | – | – |
| Total current assets | | 107,940 | 86,999 | – | 48 |
| **Non-current assets** | | | | | |
| Properties, plant and equipment | 13 | 12,292 | 12,666 | – | – |
| Subsidiaries | 14 | – | – | 24,854 | 26,866 |
| Goodwill | 15 | 512 | 512 | – | – |
| Intangible assets | 16 | 6,059 | 6,043 | – | – |
| Available-for-sale investments | 17 | 534 | 534 | – | – |
| Deferred tax asset | 21 | 208 | – | – | – |
| Interest in an associate | 10 | 384 | 654 | – | – |
| Total non-current assets | | 19,989 | 20,409 | 24,854 | 26,866 |
| **Total assets** | | 127,929 | 107,408 | 24,854 | 26,914 |

# Statements of Financial Position

December 31, 2011

| | Note | Group 2011 | Group 2010 | Company 2011 | Company 2010 |
|---|---|---|---|---|---|
| | | US$'000 | US$'000 | US$'000 | US$'000 |
| **LIABILITIES AND EQUITY** | | | | | |
| **Current liabilities** | | | | | |
| Bank borrowings and overdrafts | 18 | 26,875 | 18,579 | – | – |
| Liabilities for trade bills discounted with recourse | 19 | 1,266 | 807 | – | – |
| Trade and other payables | 20 | 27,379 | 23,919 | 1,287 | – |
| Income tax payable | | 748 | 575 | – | – |
| Amount due to non-controlling interests | 11 | 1,244 | 1,191 | – | – |
| Total current liabilities | | 57,512 | 45,071 | 1,287 | – |
| **Non-current liabilities** | | | | | |
| Bank borrowings | 18 | 4,071 | 4,487 | – | – |
| Deferred tax liabilities | 21 | 360 | 319 | – | – |
| Total non-current liabilities | | 4,431 | 4,806 | – | – |
| **Capital, reserves and non-controlling interests** | | | | | |
| Share capital | 23 | 11,625 | 11,625 | 11,625 | 11,625 |
| Reserves | | 51,597 | 42,954 | 11,942 | 15,289 |
| Equity attributable to owners of the Company | | 63,222 | 54,579 | 23,567 | 26,914 |
| Non-controlling interests | | 2,764 | 2,952 | – | – |
| Total equity | | 65,986 | 57,531 | 23,567 | 26,914 |
| **Total liabilities and equity** | | 127,929 | 107,408 | 24,854 | 26,914 |

See accompanying notes to financial statements.

# Consolidated Statement of Comprehensive Income

Year ended December 31, 2011

| | Note | Group 2011 US$'000 | Group 2010 US$'000 |
|---|---|---|---|
| **Revenue** | 25 | 154,102 | 127,090 |
| Cost of sales | | (107,453) | (85,762) |
| **Gross profit** | | 46,649 | 41,328 |
| Other operating (expenses) income | 26 | (2,638) | 1,710 |
| Distribution costs | | (12,133) | (11,769) |
| Administrative expenses | | (22,238) | (19,767) |
| Share of results of an associate | 10 | (285) | (144) |
| Share of results of a jointly controlled entity | 12 | – | 7 |
| Finance costs | 27 | (721) | (565) |
| **Profit before income tax** | | 8,634 | 10,800 |
| Income tax expense | 28 | (356) | (585) |
| **Profit for the year** | 29 | 8,278 | 10,215 |
| **Other comprehensive income:** | | | |
| Exchange differences arising on translation of foreign operations | | 1,507 | 336 |
| Exchange reserve released upon disposal of a jointly controlled entity | | – | 3 |
| Share of exchange reserve of an associate | 10 | 15 | 19 |
| **Other comprehensive income for the year, net of tax** | | 1,522 | 358 |
| Total comprehensive income for the year | | 9,800 | 10,573 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | 8,399 | 10,504 |
| Non-controlling interests | | (121) | (289) |
| | | 8,278 | 10,215 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | 9,782 | 10,963 |
| Non-controlling interests | | 18 | (390) |
| | | 9,800 | 10,573 |

**Earnings per share (US cents)**

| | Note | Group 2011 | Group 2010 |
|---|---|---|---|
| Basic | 32 | 3.61 | 4.52 |
| Diluted | 32 | 3.51 | 4.39 |

See accompanying notes to financial statements.

# Consolidated Statements of Changes in Equity

Year ended December 31, 2011

| | Note | Share capital | Share premium | Contributed surplus | Merger reserve [(a)] | Currency translation reserve | Legal reserves [(b)] | Capital reserve [(c)] | Share option reserve | Equity reserve [(d)] | Retained earnings | Attributable to owners of the Company | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| Group | | | Note 24(a) | Note 24(b) | | | | | | | | | | |
| **Balance at January 1, 2010** | | 7,750 | 11,974 | 394 | (4,112) | 2,025 | 274 | 3,003 | 131 | – | 23,127 | 44,566 | 1,321 | 45,887 |
| Total comprehensive income for the year | | – | – | – | – | 459 | – | – | – | – | 10,504 | 10,963 | (390) | 10,573 |
| Dividends paid | 31 | – | – | – | – | – | – | – | – | – | (1,371) | (1,371) | (49) | (1,420) |
| Acquisition of a non-wholly owned subsidiary | 33 | – | – | – | – | – | – | – | – | – | – | – | 1 | 1 |
| Incorporation of a non-wholly owned subsidiary | | – | – | – | – | – | – | – | – | – | – | – | 2,923 | 2,923 |
| Effect of acquiring non-controlling interests in subsidiaries | | – | – | – | – | – | – | – | – | (37) | – | (37) | (854) | (891) |
| Bonus shares issued | 23 | 3,875 | (3,875) | – | – | – | – | – | – | – | – | – | – | – |
| Share-based payment expenses | 22 | – | – | – | – | – | – | – | 458 | – | – | 458 | – | 458 |
| **Balance at December 31, 2010** | | 11,625 | 8,099 | 394 | (4,112) | 2,484 | 274 | 3,003 | 589 | (37) | 32,260 | 54,579 | 2,952 | 57,531 |
| Total comprehensive income for the year | | – | – | – | – | 1,383 | – | – | – | – | 8,399 | 9,782 | 18 | 9,800 |
| Dividends paid | 31 | – | – | – | – | – | – | – | – | – | (1,890) | (1,890) | (206) | (2,096) |
| Share-based payment expense | 22 | – | – | – | – | – | – | – | 751 | – | – | 751 | – | 751 |
| Effect of share options lapsed | 22 | – | – | – | – | – | – | – | (15) | – | 15 | – | – | – |
| **Balance at December 31, 2011** | | 11,625 | 8,099 | 394 | (4,112) | 3,867 | 274 | 3,003 | 1,325 | (37) | 38,784 | 63,222 | 2,764 | 65,986 |

(a) Merger reserve represents the difference between the combined share capital of the entities in the merged group and the capital of the Company arising from a restructuring exercise undertaken in 2004.

(b) The legal reserves is non-distributable and represents reserve fund and enterprise expansion fund of a subsidiary 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.

(c) Capital reserve represents a transfer of retained earnings by a PRC subsidiary in 2004.

(d) Equity reserve represents effects of changes in ownership interests in subsidiaries when there is no change in control.

See accompanying notes to financial statements.

# Statements of Changes in Equity

Year ended December 31, 2011

| | Note | Share capital | Share premium | Contributed surplus | Share option reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| | | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| | | | Note 24(a) | Note 24(b) | | | |
| Company | | | | | | | |
| **Balance at January 1, 2010** | | 7,750 | 11,974 | 394 | 131 | 6,669 | 26,918 |
| Total comprehensive income for the year | | – | – | – | – | 909 | 909 |
| Dividends paid | 31 | – | – | – | – | (1,371) | (1,371) |
| Share-based payment expenses | 22 | – | – | – | 458 | – | 458 |
| Bonus shares issued | 23 | 3,875 | (3,875) | – | – | – | – |
| **Balance at December 31, 2010** | | 11,625 | 8,099 | 394 | 589 | 6,207 | 26,914 |
| Total comprehensive loss for the year | | – | – | – | – | (2,208) | (2,208) |
| Dividends paid | 31 | – | – | – | – | (1,890) | (1,890) |
| Share-based payment expenses | 22 | – | – | – | 751 | – | 751 |
| Effect of share options lapsed | 22 | – | – | – | (15) | 15 | – |
| **Balance at December 31, 2011** | | 11,625 | 8,099 | 394 | 1,325 | 2,124 | 23,567 |

See accompanying notes to financial statements.

# Consolidated
# Cash Flow Statement

Year ended December 31, 2011

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | US$'000 | US$'000 |
| **Operating activities** | | |
| Profit before income tax | 8,634 | 10,800 |
| Adjustments for: | | |
| Depreciation of properties, plant and equipment | 1,223 | 1,112 |
| Interest income | (26) | (136) |
| Finance costs | 721 | 565 |
| Net loss on disposal of properties, plant and equipment | 1 | 2 |
| Gain on disposal of a jointly controlled entity | – | (653) |
| Allowance for doubtful debts | 294 | 486 |
| Amortisation of intangible assets | 1,526 | 1,356 |
| Loss in fair value changes of derivative financial instruments | – | 53 |
| Loss (gain) in fair value changes of investments carried at fair value through profit or loss | 118 | (27) |
| Share of results of a jointly controlled entity | – | (7) |
| Share of results of an associate | 285 | 144 |
| Share-based payment expense | 751 | 458 |
| Intangible assets written off | – | 61 |
| Operating cash flows before movements in working capital | 13,527 | 14,214 |
| Trade and other receivables | (22,943) | (8,475) |
| Inventories | (7,200) | (1,207) |
| Trade and other payables | 2,882 | 2,613 |
| Trade bills discounted with recourse | 459 | 694 |
| Amount due from an associate | (36) | (718) |
| Cash (used in) generated from operations | (13,311) | 7,121 |
| PRC Enterprise Income tax paid | (241) | (216) |
| Hong Kong Profits tax paid | (62) | (181) |
| Tax paid in other jurisdictions | (228) | (380) |
| Net cash (used in) from operating activities | (13,842) | 6,344 |

# Consolidated
## Cash Flow Statement

Year ended December 31, 2011

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | US$'000 | US$'000 |
| **Investing activities** | | |
| Product development costs paid | (1,515) | (1,055) |
| Purchase of properties, plant and equipment | (621) | (5,579) |
| Advances from (to) non-controlling interests | 693 | (623) |
| Interest received | 26 | 136 |
| Proceeds on disposal of properties, plant and equipment | 1 | 3 |
| Proceeds on disposal of jointly controlled entity | – | 1,033 |
| Acquisition of a subsidiary (Note 33) | – | (2,944) |
| Investment in an associate | – | (779) |
| Repayment from a jointly controlled entity | – | 1,280 |
| Net cash used in investing activities | (1,416) | (8,528) |
| **Financing activities** | | |
| Proceeds from bank borrowings | 82,653 | 59,357 |
| Repayment of bank borrowings | (75,035) | (53,440) |
| Dividends paid | (1,890) | (1,371) |
| Dividends paid to non-controlling interests | (206) | (49) |
| Interest paid | (721) | (565) |
| Acquisition of non-controlling interests in subsidiaries | – | (891) |
| Capital contribution by non-controlling interests | – | 922 |
| Net cash from financing activities | 4,801 | 3,963 |
| Net (decrease) increase in cash and cash equivalents | (10,457) | 1,779 |
| Cash and cash equivalents at beginning of the year | 16,813 | 14,699 |
| Effect of foreign exchange rate changes | 942 | 335 |
| Cash and cash equivalents at end of the year | 7,298 | 16,813 |
| **Cash and cash equivalents comprised:** | | |
| Cash and bank balances (Note 6) | 8,515 | 17,768 |
| Bank overdrafts (Note 18) | (1,217) | (955) |
| | 7,298 | 16,813 |

See accompanying notes to financial statements.

## 1 GENERAL

The Company (Registration No. 34778) was incorporated in Bermuda on January 26, 2004 under The Companies Act 1981 of Bermuda ("The Bermuda Companies Act") as an exempted company with limited liability and with its registered office at Canon's Court, 22 Victoria Street, Hamilton Hm12, Bermuda and its principal place of business at 6th Floor, Mita Center, 552-556, Castle Peak Road, Kwai Chung, Kowloon, Hong Kong. The Company is listed on both the Main Board of Singapore Exchange Securities Trading Limited ("SGX-ST") and on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK") since July 12, 2004 and December 21, 2011 respectively. The financial statements are expressed in United States dollars ("US$").

The principal activity of the Company is that of an investment holding company.

The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

As at December 31, 2011, the Group's net current assets and total assets less current liabilities are amounted to US$50,428,000 (2010: US$41,928,000) and US$70,417,000 (2010: US$62,337,000) respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2011 were authorised for issue by the Board of Directors on March 20, 2012.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements are prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with International Financial Reporting Standards ("IFRS").

In addition, the financial statements include applicable disclosures required by the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Hong Kong Companies Ordinance and the SGX-ST Listing Manual.

ADOPTION OF NEW AND REVISED STANDARDS - In the current financial year, the Group has adopted all the new and revised International Accounting Standards ("IAS") and IFRS issued by the International Accounting Standards Board and the Interpretations thereof issued by the International Financial Reporting Standards Interpretations Committee ("IFRS IC") that are relevant to its operations and effective for annual periods beginning on or after January 1, 2011. The adoption of these new/revised Standards and Interpretations does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following Standards and Interpretations that are relevant to the Group and the Company were issued but not effective:

- IFRS 9 Financial Instruments [1]
- IFRS 10 Consolidated Financial Statements [2]
- IFRS 11 Joint Arrangements [2]
- IFRS 12 Disclosure of Interests in Other Entities [2]
- IAS 27 (as revised in 2011) Separate Financial Statements [2]
- IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures [2]

[1] Effective for annual periods beginning on or after January 1, 2015.
[2] Effective for annual periods beginning on or after January 1, 2013.

Consequential amendments were also made to various standards as a result of these new/revised standards.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The management anticipates that the adoption of the above IFRSs, IASs and amendments to IFRS in future periods, will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption, except for the following:

*IFRS 9 Financial Instruments*

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 "Financial instruments: Recognition and measurement" 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 debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

IFRS 9 is effective for annual periods beginning on or after January 1, 2015 with earlier application permitted.

In the opinion of the directors, based on the Group's financial instruments as at December 31, 2011, the application of IFRS 9 will affect the classification and measurement of the available-for-sale instruments but do not expect the application of IFRS 9 will have a material effect on the financial liabilities and other financial assets of the Group.

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosure was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

*IFRS 10 Consolidated Financial Statements*

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation -Special Purpose Entities has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

*IFRS 11 Joint Arrangements*

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities - Non-monetary Contributions by Venturers has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

*IFRS 12 Disclosure of Interests in Other Entities*

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

Management anticipates that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of IFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated. However, management has not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - The restructuring of the Group in 2004 involved the merger of companies under common control and has been accounted for using the pooling of interest method whereby all assets and liabilities of the merged entities were aggregated and the difference between the aggregate share capital of the entities and the share capital of the holding company was recorded as a merger reserve.

Subsequent to the restructuring, any acquisition of subsidiaries is accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values to assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "*Business Combinations*" are recognised at their fair values at the acquisition date.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets 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 Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* 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 of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts 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 entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The policy described above is applied to all business combinations that take place on or after January 1, 2010.

GOODWILL – Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

ASSOCIATES - An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

**Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or, where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments at "fair value through profit or loss".

**Financial assets**

The Group's financial assets are classified into investments carried at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. 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. The accounting policies adopted in respect of each category of financial assets are set out below.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets at FVTPL

Financial assets at FVTPL are financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 "*Financial Instruments: Recognition and Measurement*" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At the end of each reporting period subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables (including advance to subsidiaries, an associate and non-controlling interests, cash and bank balances, trade and other receivables and amounts due from subsidiaries) are carried at amortised cost using the effective interest method, less any identified impairment losses. Interest is recognised by applying the effective interest rate method, except for short-term receivables where interest is immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are not classified as loans and receivables. 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 subsequent to initial recognition.

Cash and cash equivalents in the statement of cash flows

Cash and cash equivalents in the statement of cash flows comprise cash on hand and bank overdrafts that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is 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 adversely impacted.

For an available-for-sale equity instrument, a significant or prolonged decline in the fair value of that investment 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; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. 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 financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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. 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 the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period. With the exception of available-for-sale instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extend 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.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Financial liabilities and equity instruments**

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into 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 the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities, including trade and other payables, non-controlling interests, liabilities for trade bills discounted with recourse and bank borrowings, are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis except for short term payables where interest is immaterial.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contract liabilities are recognised initially at their fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the financial guarantee contract liabilities are measured at the higher of: (i) the amount determined in accordance with IAS 37 "*Provisions, Contingent Liabilities and Contingent Assets*", and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 "*Revenue*".

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. 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 directly in other comprehensive income is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

OPERATING LEASES - Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant period.

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

PROPERTIES, PLANT AND EQUIPMENT - Properties, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight line method, on the following bases:

| | Depreciation rates | Residual value |
|---|---|---|
| Leasehold buildings | 2% to 4.5% | Nil to 10% |
| Furniture and fixtures | 18% to 20% | Nil to 10% |
| Machinery and equipment | 9% to 20% | Nil to 10% |
| Motor vehicles | 18% to 20% | Nil to 10% |

Fully depreciated assets still in use are retained in the financial statements.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of properties, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

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. Costs incurred on development projects are recognised as intangible assets 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.

Development costs capitalised as intangible assets are amortised from the commencement of commercial production on a straight line basis over their estimated useful lives, which normally does not exceed five years.

Where no internally-generated intangible asset can be recognised, development expenditure is charged 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION - Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

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.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets 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 asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell 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.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately to profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised immediately to profit or loss.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

SHARE-BASED PAYMENTS - The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using the Binomial Option Pricing Model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferrability, exercise restrictions and behavioural considerations.

When the share options are lapsed after the vesting date, the amount previously recognised in share option reserve will be transferred to retained earnings.

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.

<u>Sale of goods</u>

Revenue from the sale of goods is recognised when the goods are delivered and the titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

<u>Interest income</u>

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

BORROWING COSTS - Borrowing costs directly attributable to 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 borrowing costs are recognised to profit or loss in the period in which they are incurred.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as expenses when employees have rendered services entitling them to the contributions.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of the independent trustees.

The employees of the Group's subsidiaries in Macau, the PRC, France, United Kingdom and Singapore are members of state-managed retirement benefit schemes operated by the local governments. The Group is required to contribute a certain percentage of its payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

INCOME TAX - 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 as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and an associate, except where the Company 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 and interests are only recognised to the extent that is probably that there will be sufficient taxable profit against which to utilize 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 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in United States dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in United States Dollars ("US") using exchange rates prevailing at the end of the reporting period.

Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity (currency translation reserve). On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation accumulated in a separate component of equity shall be reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognised.

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management 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 ongoing 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.

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

***Critical judgements in applying the Group's accounting policies***

There are no critical judgements, apart from those involving estimations (see below), that the management has made in the process of applying the Group's accounting policies and that have significant effect on the amounts recognised in the financial statements.

***Key sources of estimation uncertainty***

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below.

(a) Allowances for trade and other receivables

Appropriate allowances for estimated irrecoverable amounts of trade and other receivables are recognised in profit or loss when there is objective evidence that the asset is impaired.

In making the judgement, management considered the procedures that have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to trade receivables. In determining whether allowance for bad and doubtful debts is required, management takes into consideration the aging status and the likelihood of collection. Specific allowance is made for trade and other receivables that are unlikely to be collected. In this regard, management is satisfied that the allowance for doubtful debts made by the Group amounting to US$1,764,000 (2010 : US$1,557,000) is adequate. The carrying amount of trade and other receivables are disclosed in Note 7.

(b) Recoverable amounts of development costs

Management reconsidered the recoverability of internally-generated intangible asset arising from the Group's development costs incurred for the manufacture of analytical instruments and acquisition of subsidiaries. The carrying amount included in the Group's statement of financial position is US$6,059,000 (2010 : US$6,043,000) (Note 16). Impairment losses are made if recoverable amounts fall short of the carrying amounts. Recoverable amounts are estimated based on value in use. The estimated value in use is in turn based on cash flow forecasts consistent with the most up-to-date budgets and plans formally approved by the management and on reasonable and supportable assumptions, including the discount rates and useful lives. The estimation of the number of years that future economic benefits can be generated by the capitalised development costs takes into account the expected changes in market demand for the products and the expected actions of competitors and potential competitors. This situation will be closely monitored, and adjustments made in future periods, if future market activity indicates that such adjustments are appropriate.

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash- generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Information relating to the estimates used in assessing the carrying amounts of goodwill is set out on Note 15.

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

***Key sources of estimation uncertainty (cont'd)***

(d) Allowances for inventories

In determining the net realisable value of the 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, management is satisfied that no allowance for inventories is required as at December 31, 2011 and 2010. The carrying amount of inventories is disclosed in Note 8.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **US$'000** | **US$'000** | **US$'000** | **US$'000** |
| **Financial assets** | | | | |
| Fair value through profit or loss ("FVTPL") | 557 | 675 | – | – |
| Loans and receivables (including cash and cash equivalents) | 74,621 | 60,287 | 15,325 | 18,129 |
| Available-for-sale financial assets | 534 | 534 | – | – |
| **Financial liabilities** | | | | |
| Liabilities at amortised cost | 55,031 | 43,257 | 1,287 | – |

(b) Financial risk management policies and objectives

The Group's major financial instruments include FVTPL and available-for-sale investments, trade and other receivables, amounts due from (to) non-controlling interest/an associate, trade and other payables, liabilities for trade bills discounted with recourse and bank borrowings. Details of these financial instruments are disclosed in the respective notes to the financial statements. 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.

The Company's major financial instruments are receivables from subsidiaries and amounts due to subsidiaries. The management considers the risks associated with these financial instruments are minimal.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(c) Market risk

(i) *Foreign exchange risk (cont'd)*

Several subsidiaries of the Company have sales and purchases denominated in foreign currencies, which exposes the Group to foreign currency risk and could result in foreign exchange loss. The Group's sales are principally in United States dollars and Renminbi. Most of the Group's purchases are made in Japanese yen, Renminbi and United States dollars. Expenses incurred are generally denominated in Hong Kong dollars, Renminbi, Euro and Singapore dollars, which are the functional currencies of the Group entities operating in Hong Kong, the PRC, Europe and Singapore respectively.

For the Hong Kong group entities, as Hong Kong dollars is pegged to the United States dollars, the currency risk associated with United States dollars is considered minimal. The PRC and Europe entities do not have significant mismatch between the sales and expenses in Renminbi and Euro respectively. As a result, the major foreign currency giving rise to this foreign exchange risk is primarily Japanese yen. The Group currently has adopted a designated foreign currency hedging policy.

The carrying amounts of major foreign currency denominated monetary assets and monetary liabilities, other than functional currencies o the respective group entities, at the end of the reporting period are as follows:

| | Group | | | |
|---|---|---|---|---|
| | Assets | | Liabilities | |
| | 2011 | 2010 | 2011 | 2010 |
| | US$'000 | US$'000 | US$'000 | US$'000 |
| Japanese yen | 2,780 | 4,022 | 23,649 | 18,263 |
| United States dollars | 53,465 | 28,395 | 9,447 | 6,137 |

*Sensitivity analysis*

The following table details the 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.

If the relevant foreign currency weakens by 5% against the functional currency of each Group entity, profit before income tax for the year will increase (decrease) by:

| | Note | 2011 | 2010 |
|---|---|---|---|
| | | US$'000 | US$'000 |
| Japanese yen impact | (i) | 1,043 | 712 |
| United States dollars impact | (ii) | (2,201) | (1,113) |

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(c) Market risk (cont'd)

(i) *Foreign exchange risk (cont'd)*

If the relevant foreign currency strengthens by 5% against the functional currency of each Group entity, profit before income tax will (decrease) increase by:

| | Note | 2011 | 2010 |
|---|---|---|---|
| | | US$'000 | US$'000 |
| Japanese yen impact | (i) | (1,043) | (712) |
| United States dollars impact | (ii) | 2,201 | 1,113 |

Notes:

(i) This is mainly attributable to the exposure on trade payables and bank borrowings denominated in Japanese yen at the end of the reporting period.

(ii) This is mainly attributable to the exposure on bank balances and trade receivables at the end of the reporting period.

(ii) *Interest rate risk management*

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, which are substantially denominated in United States dollars and Japanese yen. Interests charged on the Group's borrowings are at variable rates and are pegged at various margins above the Hong Kong interbank offer rates ("HIBOR"), the prime lending rates of the banks, the Euro-London Interbank Offered Rate ("LIBOR") or Swiss Franc-LIBOR. The Group currently has adopted a policy on cash flow hedges of interest rate risk.

*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.

Group

If interest rates on variable-rate bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended December 31, 2011 would decrease/increase by US$129,000 (2010 : decrease/increase by US$96,000).

Company

If interest rates on variable-rate advances to subsidiaries had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended December 31, 2011 would increase/decrease by US$64,000 (2010 : increase/decrease by US$76,000).

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(d) Credit risk

At December 31, 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group if counterparties fail to discharge their obligations to the Group is the carrying amount of the respective recognised financial assets, grossed up for any allowances for impairment losses as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management monitors follow-up actions to recover overdue debts. Management of the 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 directors of the Company consider that the Group's credit risk is adequately managed and mitigated.

Management considers the credit risk on liquid funds is limited because the counterparties are banks including state-owned banks in the PRC with good reputation.

Other than concentration of credit risk on the Group's trade and other receivables located in the PRC, 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 in the PRC.

The Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company is arising from:

- The carrying amount of the respective recognised financial assets as stated in the statement of financial position; and
- The amount of contingent liabilities in relation to financial guarantee issued by the Company as disclosed in note 35.

(e) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group'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.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(e) Liquidity risk (cont'd)

*Liquidity and interest risk analyses*

Non-derivative financial liabilities

The following tables detail 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 Group can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

| | Undiscounted cash flows | | | | | |
|---|---|---|---|---|---|---|
| | **Weighted average effective interest rate** | **On demand or within 1 year** | **Within 2 to 5 years** | **After 5 years** | **Adjustment** | **Carrying amount** |
| | **%** | **US$'000** | **US$'000** | **US$'000** | **US$'000** | **US$'000** |
| Group | | | | | | |
| **2011** | | | | | | |
| Trade and other payables | | | | | | |
| - Non-interest bearing | – | 21,575 | – | – | – | 21,575 |
| Liabilities for trade bills discounted with recourse | | | | | | |
| - Non-interest bearing | – | 1,266 | – | – | – | 1,266 |
| Amounts due to non-controlling interests | | | | | | |
| - Non-interest bearing | – | 1,244 | – | – | – | 1,244 |
| Bank borrowings | | | | | | |
| - Variable interest rates | 2.70 | 27,770 | 1,109 | 3,557 | (1,490) | 30,946 |
| | | 51,855 | 1,109 | 3,557 | (1,490) | 55,031 |
| **2010** | | | | | | |
| Trade and other payables | | | | | | |
| - Non-interest bearing | – | 18,193 | – | – | – | 18,193 |
| Liabilities for trade bills discounted with recourse | | | | | | |
| - Non-interest bearing | – | 807 | – | – | – | 807 |
| Amounts due to non-controlling interests | | | | | | |
| - Non-interest bearing | – | 1,191 | – | – | – | 1,191 |
| Bank borrowings | | | | | | |
| - Variable interest rates | 3.40 | 19,407 | 1,770 | 3,244 | (1,355) | 23,066 |
| | | 39,598 | 1,770 | 3,244 | (1,355) | 43,257 |

**4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)**

(e) Liquidity risk (cont'd)

Non-derivative financial liabilities

Bank loans with a repayment on demand clause are included in the "on demand or within 1 year" time band in the above maturity analysis. As at December 31, 2011, aggregate undiscounted principal amounts of these bank loans amounted to US$3,588,000 (2010: US$3,125,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid within one to five years after the reporting date in accordance with the schedule repayment date set out in the loan agreements. At that time, the aggregated principal and interest cash outflows will amount to US$3,772,000 (2010: US$3,381,000).

Company

The Company has financial liability of US$1,287,000 (2010: Nil) which is repayable on demand and interest-free.

The Company provided corporate guarantees of US$71,099,000 (2010: US$68,190,000) to certain banks as security for banking facilities granted to subsidiaries as at the end of the reporting period. The earliest period that the guarantees could be called is within 1 year (2010 : 1 year) from the end of the reporting period. Based on the expectation of the Company, the Company considers that it is more likely that no amount will be payable under this financial guarantee arrangement. However, this estimate is subject to change depending on the probability of the counterparty which suffers credit losses on the financial receivables and claims under the guarantee.

(f) Fair values of financial assets and financial liabilities

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities(Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(f) Fair values of financial assets and financial liabilities (cont'd)

**Financial instruments measured at fair value**

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| | US$'000 | US$'000 | US$'000 | US$'000 |
| Group | | | | |
| 2011 | | | | |
| **Financial assets** | | | | |
| FVTPL | 557 | – | 557 | – |
| 2010 | | | | |
| **Financial assets** | | | | |
| FVTPL | 675 | – | 675 | – |

The Group had no financial liabilities carried at fair value in 2011 and 2010.

Company

The Company had no financial assets or liabilities carried at fair value in 2011 and 2010.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy in 2011 and 2010.

(g) Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debts comprising bank borrowings which are subjected to certain loan covenants and conditions as disclosed in Note 18, and equity attributable to owners of the Company, comprising issued share capital, retained earnings and other reserves as disclosed in the notes to financial statements.

Management reviews the capital structure on an on-going basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital, payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group is in compliance with the covenants from the relevant banks for 2011 and 2010.

## 5 RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances arising from related party transactions are unsecured, interest-free and repayable on demand unless otherwise stated.

***Compensation of directors and key management personnel***

The remuneration of directors and other members of key management during the year was as follows:

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **US$'000** | **US$'000** |
| Short-term benefits | 1,674 | 1,610 |
| Post-employment benefits | 123 | 112 |
| Share-based payments | 391 | 248 |
| | 2,188 | 1,970 |

## 6 CASH AND BANK BALANCES

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **US$'000** | **US$'000** |
| Cash at bank | 8,320 | 17,683 |
| Cash on hand | 195 | 85 |
| | 8,515 | 17,768 |

The carrying amounts of these assets approximate their fair values.

Cash and bank balances carry interest at an average rate of 0.55% (2010 : 0.88%) per annum.

The Group's cash and bank balances that are not denominated in the functional currencies of the respective entities are as follows:

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **US$'000** | **US$'000** |
| Singapore dollars | 5 | 5 |
| United States dollars | 2,971 | 5,945 |
| Japanese yen | 685 | 142 |
| Macao pataca | 7 | 6 |
| Euro | 163 | 115 |
| British pound | 1 | 5 |
| Swiss franc | 51 | 155 |

## 7 TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | US$'000 | US$'000 | US$'000 | US$'000 |
| Trade receivables and bills receivables (Note a) | 63,340 | 39,505 | – | – |
| Less: Allowance for doubtful debts | (1,764) | (1,557) | – | – |
| | 61,576 | 37,948 | – | – |
| Trade bills receivable discounted with recourse (Note 19) | 1,266 | 807 | – | – |
| Prepayments (Note b) | 181 | 575 | – | – |
| Other receivables (Note c) | 2,895 | 3,432 | – | 48 |
| | 65,918 | 42,762 | – | 48 |

Notes:

a) The average credit period on sale of goods ranges from 30 to 90 days (2010 : 30 to 90 days). No interest is charged on outstanding trade receivables during the year. In addition, the average credit period on the retention money ranges from 30 to 90 days after the goods are accepted by the customers which is normally within twelve month after delivery.

b) Prepayment mainly comprise rental deposits, advances to staff, and other prepaid expenses.

c) Deposits and other receivables mainly represent the other tax receivables, deposit paid to the suppliers for purchase of raw materials.

The aging of trade receivables and bill receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period is as follows:

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | US$'000 | US$'000 |
| Less than 90 days | 47,252 | 31,435 |
| 91 to 120 days | 1,713 | 2,509 |
| 121 to 365 days | 7,652 | 1,422 |
| 1 to 2 years | 4,161 | 2,333 |
| Over 2 years | 798 | 249 |
| | 61,576 | 37,948 |

The Group's management closely monitors the credit quality of trade receivables and retention money, and considers the trade receivables and retention money that are neither past or impaired to be of a good quality because they are within the credit period granted and the Group's management considers the default rate is low for such receivables based on historical information and experience.

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of US$3,731,000 (2010 : US$3,797,000) which are past due at the end of the reporting period for which the 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 Group does not hold any collateral over these balances.

## 7 TRADE AND OTHER RECEIVABLES (CONT'D)

The aging of bills receivable discounted with recourse, based on the invoice date, is less than 90 days (2010 : less than 90 days).

Ageing of trade receivables which are past due but not impaired:

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | US$'000 | US$'000 |
| Less than 90 days | – | 540 |
| 91 to 120 days | 515 | 1,094 |
| 121 to 365 days | 988 | 800 |
| 1 to 2 years | 1,874 | 1,255 |
| Over 2 years | 354 | 108 |
| | 3,731 | 3,797 |

Movement in the allowance for doubtful debts:

| | | |
|---|---|---|
| Balance at beginning of the year | 1,557 | 1,089 |
| Written off against trade receivables | (87) | (18) |
| Increase in allowance recognised in profit or loss for the year (Note 29) | 294 | 486 |
| Balance at end of the year | 1,764 | 1,557 |

The Group's and Company's trade and other receivables that are not denominated in the functional currencies of the respective entities are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | US$'000 | US$'000 | US$'000 | US$'000 |
| United States dollars | 49,937 | 21,775 | – | – |
| Japanese yen | 2,095 | 3,880 | – | – |
| Australian dollars | – | 28 | – | – |
| Euro | 1,061 | 252 | – | – |
| Swiss franc | 656 | 681 | – | – |
| Indian rupees | – | 125 | – | – |

## 8 INVENTORIES

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | US$'000 | US$'000 |
| Raw materials | 6,944 | 5,863 |
| Work-in-progress | 6,722 | 5,796 |
| Finished goods | 18,334 | 12,760 |
| | 32,000 | 24,419 |

In 2010, the Group established a non-wholly owned PRC subsidiary – Techcomp Jingke Scientific Instruments (Shanghai) Co. Ltd. The non-controlling shareholder contributed inventories amounted to US$2,001,000 in the initial capital injection to this subsidiary which was the non-cash transaction incurred in 2010.

## 9 INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | US$'000 | US$'000 |
| Unquoted investment in an equity fund, at fair value | 557 | 675 |

The unquoted investment in an equity fund offers the Group the opportunity for return through dividend income and fair value gains. The fair value of this investment is estimated by reference to current valuations provided by the issuing bank.

The Group's investments carried at fair value through profit or loss that are not denominated in the functional currencies of the respective entities are as follows:

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | US$'000 | US$'000 |
| United States dollars | 557 | 675 |

## 10 ASSOCIATE

(A) Interest in an associate

In 2010, the Group had formed a strategic alliance with Shanghai Precision & Scientific Instrument Co. Ltd. ("SPSIC") for the manufacturing and distribution of analytical balance products in PRC. The Group and SPSIC incorporated Techcomp Jingke Trading (Shanghai) Co., Ltd which the Group and SPSIC had 49% and 51% equity interest respectively.

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **US$'000** | **US$'000** |
| Cost of unquoted equity investment | 779 | 779 |
| Share of post-acquisition results | (429) | (144) |
| Share of exchange translation reserves | 34 | 19 |
| | 384 | 654 |

Summarised audited financial information in respect of the associate is set out below:

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **US$'000** | **US$'000** |
| Total assets | 2,109 | 3,172 |
| Total liabilities | (1,326) | (1,837) |
| Net assets | 783 | 1,335 |
| Group's share of associate's net assets | 384 | 654 |
| Revenue | 5,293 | 2,053 |
| Results for the year | (582) | (294) |
| Group's share of associate's results for the year | (285) | (144) |
| Group's share of associate's other comprehensive income for the year | 15 | 19 |

## 10 ASSOCIATE (CONT'D)

(A) Interest in an associate (cont'd)

Details of the Group's associate at December 31, 2011 and 2010 are as follows:

| Name of associate | Country of incorporation and operation | Proportion of ownership interest held | | Principal activity |
|---|---|---|---|---|
| | | 2011 | 2010 | |
| | | % | % | |
| Techcomp Jingke Trading (Shanghai) Co., Ltd [(1)] | PRC | 49 | 49 | Trading of analytical and laboratory instruments |

(1) Audited by Deloitte Touche Tohmatsu CPA Ltd., PRC.

(B) Amount due from an associate

At December 31, 2011 and 2010, the amount due from an associate was trade in nature, unsecured, interest-free and repayable within 90 days.

Significant related party transactions comprise the following transactions with an associate:

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | US$'000 | US$'000 |
| Sales of goods | 3,663 | 1,414 |
| Purchase of goods | 76 | 73 |

## 11 NON-CONTROLLING INTERESTS

The amounts due from/to non-controlling interests are non-trade, unsecured, interest-free and are repayable on demand.

## 12 JOINTLY CONTROLLED ENTITY

In 2008, the Company and Bibby Scientific Limited ("Bibby") established a 50% : 50% joint venture company, Bibby Scientific (Hong Kong) Company Limited in Hong Kong. The joint venture was to leverage on the Group's existing manufacturing facilities in the PRC to produce scientific equipment products under Bibby's existing brands for the local and overseas market.

In 2010, the call option was exercised by Bibby and the Group disposed its interest in the jointly controlled entity for a consideration of US$1,033,000 and a gain of US$653,000 was recognised on disposal.

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | US$'000 | US$'000 | US$'000 | US$'000 |
| Cost of unquoted equity investment | – | 257 | – | 257 |
| Share of post-acquisition results | – | (117) | – | – |
| Share of exchange translation-reserve | – | – | – | – |
| Exchange reserve released upon disposal of a jointly controlled entity | – | (3) | – | – |
| Disposal of interest in jointly controlled entity | – | (137) | – | (257) |
| | – | – | – | – |

Summarised audited financial information in respect of the jointly controlled entity is set out below:

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | US$'000 | US$'000 |
| Revenue | – | 1,589 |
| Profit for the year | – | 14 |
| Group's share of jointly controlled entity's results for the year | – | 7 |

The jointly controlled entity was disposed in 2010 as such there was no share of jointly controlled entity's net assets.

Significant related party transactions comprise the following transactions with a jointly controlled entity:

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | US$'000 | US$'000 |
| Sales of goods | – | 49 |
| Purchase of goods | – | 25 |

## 13 PROPERTIES, PLANT AND EQUIPMENT

| | Leasehold buildings | Furniture and fixtures | Machinery and equipment | Motor vehicles | Total |
|---|---|---|---|---|---|
| | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| Group | | | | | |
| Cost: | | | | | |
| At January 1, 2010 | 6,524 | 1,942 | 1,703 | 722 | 10,891 |
| Additions | 4,068 | 459 | 960 | 92 | 5,579 |
| Disposals | – | – | (12) | (15) | (27) |
| Acquisition of subsidiary (Note 33) | – | – | 600 | – | 600 |
| Currency translation difference | 363 | 29 | 133 | 13 | 538 |
| At December 31, 2010 | 10,955 | 2,430 | 3,384 | 812 | 17,581 |
| Additions | 13 | 23 | 557 | 28 | 621 |
| Disposals | – | – | (19) | – | (19) |
| Currency translation difference | 203 | 53 | 82 | 20 | 358 |
| At December 31, 2011 | 11,171 | 2,506 | 4,004 | 860 | 18,541 |
| Accumulated depreciation: | | | | | |
| At January 1, 2010 | 984 | 1,359 | 882 | 531 | 3,756 |
| Depreciation | 276 | 272 | 466 | 98 | 1,112 |
| Eliminated on disposal | – | – | (9) | (13) | (22) |
| Currency translation difference | 33 | 8 | 18 | 10 | 69 |
| At December 31, 2010 | 1,293 | 1,639 | 1,357 | 626 | 4,915 |
| Depreciation | 387 | 274 | 493 | 69 | 1,223 |
| Eliminated on disposals | – | – | (17) | – | (17) |
| Currency translation difference | 52 | 28 | 30 | 18 | 128 |
| At December 31, 2011 | 1,732 | 1,941 | 1,863 | 713 | 6,249 |
| Carrying amount: | | | | | |
| At December 31, 2011 | 9,439 | 565 | 2,141 | 147 | 12,292 |
| At December 31, 2010 | 9,662 | 791 | 2,027 | 186 | 12,666 |

The Group has pledged its leasehold buildings with an aggregate carrying amount of approximately US$5,282,000 (2010 : US$5,220,000) to a bank to secure the banking facilities granted to the Group (Note 18).

# Notes to
# Financial Statements

Year ended December 31, 2011

## 14 SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2011 | 2010 |
| | US$'000 | US$'000 |
| Unquoted equity shares, at cost | 6.135 | 6.135 |
| Advances to subsidiaries | 15,325 | 18,081 |
| Deemed investment in subsidiaries arising from financial guarantees given to financial institutions who have granted credit facilities to the subsidiaries [Note 35(b)] | 3,394 | 2,650 |
| | 24,854 | 26,866 |

Advances to subsidiaries are unsecured and bear interest at variable prevailing market rate per annum. The directors expect that these advances will not be repaid within one year, and accordingly, the advances are classified as non-current assets. Management is of the opinion that its carrying amount recorded approximates its fair value.

Details of the Company's subsidiaries at December 31, 2011 and 2010 are as follows:

| Name of subsidiaries | Country of incorporation (or registration) and operation | Proportion of ownership interest and voting power held | | Principal activity |
|---|---|---|---|---|
| | | 2011 | 2010 | |
| | | % | % | |
| Held by the Company | | | | |
| Richwell Hightech Systems Inc. [(1)] | British Virgin Islands | 68 | 68 | Investment holding |
| Techcomp Scientific Limited [(1)] | British Virgin Islands | 100 | 100 | Investment holding |
| Techcomp Instrument Limited [(1)] | British Virgin Islands | 100 | 100 | Investment holding |
| Regent Lite Pte Ltd [(5)] | Singapore | 100 | 100 | Investment holding |
| Glory Union Investments Ltd [(8)] | Hong Kong | 100 | 100 | Investment holding |
| Graceful Sky Investments Limited [(8)] | Hong Kong | 100 | 100 | Investment holding |
| Sunny Time Investments Ltd [(8)] | Hong Kong | 100 | 100 | Investment holding |

## 14 SUBSIDIARIES (CONT'D)

| Name of subsidiaries | Country of incorporation (or registration) and operation | Proportion of ownership interest and voting power held | | Principal activity |
|---|---|---|---|---|
| | | 2011 | 2010 | |
| | | % | % | |
| Held by Techcomp Scientific Limited | | | | |
| Bestwit Consultants Ltd (1) | British Virgin Islands | 100 | 100 | Distributor and insurer of the Group's analytical and laboratory instruments |
| Bibby Scientific (Asia) Limited (2) | Hong Kong | 100 | 100 | Trading of analytical and laboratory instruments |
| Dynamic (Asia) Limited (2)(9) | Hong Kong | 100 | – | Trading of analytical and laboratory instruments |
| Techcomp Limited (2) | Hong Kong | 100 | 100 | Trading of analytical and laboratory instruments |
| Techcomp (China) Limited (3) | PRC † | 100 | 100 | Trading of analytical and laboratory instruments |
| Techcomp (Guangzhou) Ltd. (4) | PRC # | 100 | 100 | International entreport and commercial trade and exhibitions (within Free Trade Zone) |
| Techcomp (Macao Commercial Offshore) Limited (6) | Macau | 100 | 100 | Trading of analytical and laboratory instruments |
| Techcomp (Shanghai) Ltd. (3) | PRC † | 100 | 100 | International and entreport trade and commercial consulting service (within Free Trade Zone) |

**14 SUBSIDIARIES (CONT'D)**

| Name of subsidiaries | Country of incorporation (or registration) and operation | Proportion of ownership interest and voting power held | | Principal activity |
|---|---|---|---|---|
| | | 2011 | 2010 | |
| | | % | % | |
| Held by Techcomp Scientific Limited (cont'd) | | | | |
| Techcomp (Singapore) Pte Ltd (5) | Singapore | 100 | 100 | Trading of analytical and laboratory instruments |
| Techcomp (Tianjin) Ltd (3) | PRC † | 100 | 100 | International trade, consultancy and sales of clinical analytical instruments and basic medical testing equipment |
| Tiande (Tianjin) Ltd (3) | PRC # | 100 | 100 | Trading of analytical and laboratory instruments |
| Well All Consultants Ltd (1) | British Virgin Islands/ PRC | 100 | 100 | Provision of installation and maintenance services |
| Techcomp India Pvt Ltd (8) | India | 100 | 100 | Trading of analytical and laboratory instruments |
| Aura Scientific Ltd (8) | United Kingdom | 100 | 100 | Trading of analytical and laboratory instruments |
| Held by Techcomp Instrument Limited | | | | |
| Dynamica GmbH (7) | Austria | 100 | 100 | Trading of analytical and laboratory instruments |
| Shanghai Techcomp Bio-equipment Limited (3) | PRC † | 100 | 100 | Manufacturing of analytical and laboratory instruments |

## 14 SUBSIDIARIES (CONT'D)

| Name of subsidiaries | Country of incorporation (or registration) and operation | Proportion of ownership interest and voting power held | | Principal activity |
|---|---|---|---|---|
| | | 2011 | 2010 | |
| | | % | % | |
| Held by Techcomp Instrument Limited (cont'd) | | | | |
| Shanghai Techcomp Instrument Ltd. (3) | PRC † | 100 | 100 | Manufacturing of analytical and laboratory instruments |
| Cheetah Scientific Limited (8) | Hong Kong | 100 | 100 | Inactive |
| Held by Richwell Hightech Systems Inc. | | | | |
| Shanghai Sanco Instrument Co. Ltd (3) | PRC ^ | 55 | 55 | Manufacturing and trading of analytical and laboratory instruments |
| Held by Regent Lite Pte Ltd | | | | |
| HCC SAS (7) | France | 100 | 100 | Investment holding |
| Held by HCC SAS | | | | |
| Frilabor SRL (7) | Romania | 100 | 100 | Manufacturing and trading of analytical and laboratory instruments |
| Froilabo SAS (7) | France | 100 | 100 | Manufacturing and trading of analytical and laboratory instruments |
| Held by Froilabo SAS | | | | |
| Craponne Tolerie SARL (7) | France | 100 | 100 | Manufacturing of industrial metallurgy |

## 14 SUBSIDIARIES (CONT'D)

| Name of subsidiaries | Country of incorporation (or registration) and operation | Proportion of ownership interest and voting power held | | Principal activity |
|---|---|---|---|---|
| | | 2011 | 2010 | |
| | | % | % | |
| Held by Glory Union Investments Ltd | | | | |
| Techcomp Jingke Scientific Instruments (Shanghai) Co. Ltd (3) | PRC ^ | 51 | 51 | Manufacturing of analytical and laboratory instruments |
| Held by Graceful Sky Investments Limited | | | | |
| Precisa Gravimetrics AG ("Precisa") (7) (10) | Switzerland | 80 | 80 | Manufacturing of analytical and laboratory instruments |
| Held by Sunny Time Investments Ltd | | | | |
| Precisa Real Estate AG (7) | Switzerland | 100 | 100 | Property holding |

(1) Audited by Deloitte Touche Tohmatsu Ltd, Hong Kong for consolidation purpose only.*

(Not required to be audited in the country of incorporation)

(2) Audited by Deloitte Touche Tohmatsu Ltd, Hong Kong.

(3) Audited by Deloitte Touche Tohmatsu CPA Ltd., PRC for consolidation purpose only.*

(4) Audited by Deloitte Touche Tohmatsu Ltd, Hong Kong.*

(5) Audited by Deloitte & Touche LLP, Singapore.

(6) Reviewed by Deloitte Touche Tohmatsu Ltd, Hong Kong for consolidation purpose and audited by Deloitte & Touche Tohmatsu Ltd, Macau for the statutory financial statements.

(7) Audited by other auditors.

(8) Not material to the results of the Group.

(9) Incorporated during the year.

(10) Acquired in 2010 (Note 33).

* These are the auditors who conducted the audits/reviews for financial statements of the subsidiaries prepared under IFRS which are included in these financial statements. The statutory financial statements prepared under generally acceptable accounting principles in the PRC are not audited by Deloitte Touche Tohmatsu CPA Ltd., PRC nor Deloitte Touche Tohmatsu Ltd, Hong Kong.

† Registered under the laws of the PRC as Wholly Foreign-Owned Enterprise.

\# Registered under the laws of the PRC as limited liability company.

^ Registered under the laws of the PRC as sino-foreign co-operation joint venture.

## 15 GOODWILL

| | Group |
|---|---|
| | US$'000 |
| Cost/Carrying amount: | |
| At January 1, 2010 and December 31, 2010 and 2011 | 512 |

Goodwill acquired in a business combination is allocated, at acquisition, to a cash generating unit ("CGU") that is expected to benefit from that business combination. The carrying amount of goodwill is allocated to the subsidiary group, Richwell Hightech Systems Inc.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is 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 impairment purpose, the 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 based on annual growth rates of 10% (2010 : 3.03% to 9.11%) per annum.

The rate used to discount the forecast cash flows to net present value is 10% (2010 : 10%).

As at the end of the reporting period, any reasonably possible change to key assumptions applied are not likely to cause the recoverable amounts to be below the carrying amount of goodwill.

## 16 INTANGIBLE ASSETS

| | Group | | |
|---|---|---|---|
| | Development costs | Technical know-how | Total |
| | US$'000 | US$'000 | US$'000 |
| Cost: | | | |
| At January 1, 2010 | 5,487 | 74 | 5,561 |
| Additions | 1,055 | – | 1,055 |
| Acquisition of subsidiary (Note 33) | 2,565 | – | 2,565 |
| Written off | (284) | – | (284) |
| Currency translation difference | 15 | – | 15 |
| At December 31, 2010 | 8,838 | 74 | 8,912 |
| Additions | 1,515 | – | 1,515 |
| Currency translation difference | 108 | – | 108 |
| At December 31, 2011 | 10,461 | 74 | 10,535 |
| Amortisation: | | | |
| At January 1, 2010 | 1,618 | 74 | 1,692 |
| Amortisation for the year | 1,356 | – | 1,356 |
| Written off | (223) | – | (223) |
| Currency translation difference | 44 | – | 44 |
| At December 31, 2010 | 2,795 | 74 | 2,869 |
| Amortisation for the year | 1,526 | – | 1,526 |
| Currency translation difference | 81 | – | 81 |
| At December 31, 2011 | 4,402 | 74 | 4,476 |
| Carrying amount: | | | |
| At December 31, 2011 | 6,059 | – | 6,059 |
| At December 31, 2010 | 6,043 | – | 6,043 |

Intangibleassets 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 years respectively.

Amortisation of US$1,526,000 (2010 : US$1,356,000) has been included in administrative expenses in the consolidated statement of comprehensive income.

## 17 AVAILABLE-FOR-SALE INVESTMENTS

| | Group 2011 | Group 2010 |
|---|---|---|
| | US$'000 | US$'000 |
| Unquoted equity shares, at cost | 40 | 40 |
| Golf club membership, at cost | 494 | 494 |
| | 534 | 534 |

The above unquoted investment represents an investment 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 its fair value cannot be measured reliably.

Management is of the opinion that the carrying amount of the golf club membership recorded at cost approximates its fair value.

## 18 BANK BORROWINGS AND OVERDRAFTS

| | Group 2011 | Group 2010 |
|---|---|---|
| | US$'000 | US$'000 |
| Trust receipt loans | 19,506 | 11,192 |
| Other bank loans | 5,797 | 5,981 |
| Mortgage loan | 4,426 | 4,938 |
| Bank overdrafts | 1,217 | 955 |
| | 30,946 | 23,066 |
| Secured (Mortgage loan) | 4,426 | 4,938 |
| Unsecured | 26,520 | 18,128 |
| | 30,946 | 23,066 |
| Carrying value repayable*: | | |
| On demand or within one year | 23,287 | 15,454 |
| Between one to two years | 219 | 997 |
| Between two to five years | 511 | 510 |
| Over five years | 3,341 | 2,980 |
| | 27,358 | 19,941 |
| Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities) | 3,588 | 3,125 |
| | 30,946 | 23,066 |
| Less: Amount due within one year shown under current liabilities | (26,875) | (18,579) |
| | 4,071 | 4,487 |

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

## 18 BANK BORROWINGS AND OVERDRAFTS (CONT'D)

The Group's borrowings that are not denominated in the functional currencies of the respective companies in the Group are as follows:

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | US$'000 | US$'000 |
| Japanese Yen | 13,525 | 8,894 |
| United States dollars | 6,039 | 2,198 |
| Euro | 20 | 326 |

The Group's variable-rate borrowings carry interest at various margins above the HIBOR, the Hong Kong prime lending rates of the banks, Euro-LIBOR or the Swiss Franc-LIBOR. These interest rates are repriced every twelve months (2010 : twelve months). The average effective interest rates paid were as follows:

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | % | % |
| Trust receipt loans | 4.0 | 3.2 |
| Other bank loans | 2.1 | 3.1 |
| Mortgage loan | 2.6 | 2.4 |
| Bank overdrafts | 5.7 | 6.1 |

The Group has pledged its leasehold buildings with carrying value of US$5,282,000 (2010 : US$5,220,000) (Note 13) to a bank to secure the mortgage loan granted to the Group.

At the end of the reporting period, trust receipts loans and other bank loans are covered by corporate guarantees given by the Company, Techcomp Instrument Limited and Techcomp Scientific Limited, the wholly-owned subsidiaries of the Company.

Bank overdrafts are unsecured and repayable on demand.

## 19 LIABILITIES FOR TRADE BILLS DISCOUNTED WITH RECOURSE

| | Group 2011 US$'000 | Group 2010 US$'000 |
|---|---|---|
| Liabilities for trade bills discounted with recourse (Note 7) | 1,266 | 807 |

The Group's liabilities for trade bills discounted with recourse that are not denominated in the functional currencies of the respective companies in the Group are as follows:

| | Group 2011 US$'000 | Group 2010 US$'000 |
|---|---|---|
| Japanese yen | – | 44 |
| United States dollars | 1,266 | 763 |

## 20 TRADE AND OTHER PAYABLES

| | Group 2011 US$'000 | Group 2010 US$'000 | Company 2011 US$'000 | Company 2010 US$'000 |
|---|---|---|---|---|
| Trade payables | 18,575 | 15,773 | – | – |
| Accruals | 1,981 | 2,017 | – | – |
| Customer deposits | 3,298 | 2,753 | – | – |
| Other payables | 3,525 | 3,376 | 1,287 | – |
| | 27,379 | 23,919 | 1,287 | – |

The average credit period on purchases of goods ranges from 30 to 75 days (2010 : 30 to 60 days). No interest is charged on outstanding trade payables during the year. The aging of trade payables presented based on the invoice date at the end of reporting period, is as follows:

| | Group 2011 US$'000 | Group 2010 US$'000 |
|---|---|---|
| Less than 60 days | 14,297 | 14,250 |
| 61 to 180 days | 3,073 | 1,268 |
| 181 to 365 days | 1,037 | 231 |
| Over 365 days | 168 | 24 |
| | 18,575 | 15,773 |

Other payables mainly represent other tax payables and reimbursements to staff and other miscellaneous advances.

## 20 TRADE AND OTHER PAYABLES (CONT'D)

The Group's trade and other payables that are not denominated in the functional currencies at the respective companies in the Group are as follows:

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | US$'000 | US$'000 |
| Japanese yen | 10,124 | 9,325 |
| United States dollars | 2,142 | 3,176 |
| Euro | 257 | 425 |
| British pound | 103 | – |
| Swiss franc | – | 69 |

The Company's trade and other payables are denominated in its functional currency.

## 21 DEFERRED TAX LIABILITIES

The following are the major deferred tax assets (liabilities) recognised by the Group and the movements thereon, during the current and prior year:

| <u>Group</u> | Deferred development costs | Timing differences in tax depreciation | Tax losses | Total |
|---|---|---|---|---|
| | US$'000 | US$'000 | US$'000 | US$'000 |
| At January 1, 2010 | (225) | 54 | – | (171) |
| Acquisition of subsidiary (Note 33) | (213) | – | – | (213) |
| Credit to profit or loss for the year (Note 28) | 53 | 15 | – | 68 |
| Currency translation difference | (7) | 4 | – | (3) |
| At December 31, 2010 | (392) | 73 | – | (319) |
| (Charged) Credit to profit or loss for the year (Note 28) | (51) | 19 | 199 | 167 |
| Currency translation difference | (14) | 5 | 9 | – |
| At December 31, 2011 | (457) | 97 | 208 | (152) |

## 21 DEFERRED TAX LIABILITIES (CONT'D)

The following is the analysis of the deferred tax balances:

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | US$'000 | US$'000 |
| Deferred tax asset | 208 | – |
| Deferred tax liabilities | (360) | (319) |
| | (152) | (319) |

Under the Enterprise Income Tax of the PRC, starting from January 1, 2008, all profits earned are subject to withholding tax upon the distribution of such profits to the shareholders. Deferred taxation has not been recognised in respect of the temporary differences attributable to the undistributable retained profits earned by the subsidiaries in Mainland China amounting to US$3,913,000 (2010 : US$4,896,000) as management is of the opinion that the 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.

## 22 SHARE-BASED PAYMENT

***Equity-settled share option scheme***

The Company has two share option schemes, as follows:

**Share Option Scheme I**

On May 28, 2004, the Company adopted the Share Option Scheme ("2004 Share Option Scheme"). The purpose of the 2004 Share Option Scheme was a share incentive scheme and was established to recognize and acknowledge the contributions that the eligible participants have or may have made to the Company. The 2004 Share Option Scheme will provide the eligible participants with an opportunity to have a personal stake in the Company with a view to motivate the eligible participants to optimize their performance efficiency for the benefit of the Company.

Directors (including non-executive Directors and independent Directors) and employees of the Group are eligible to participate in the 2004 Share Option Scheme. Controlling shareholders and their associates are not eligible to participate in the 2004 Share Option Scheme. Holders of options who are executive Directors or employees of any company in the Group will have up to 10 years from the date of grant to exercise their options. Holders of options who are non-executive Directors of such company within the Group will have up to 5 years from the relevant date of grant to exercise their options. Offers of options made to grantees, if not accepted within 30 days, will lapse.

The 2004 Share Option Scheme shall be in force up to a maximum period of 10 years from the date on which the 2004 Share Option Scheme was adopted and may be continued beyond the stipulated period with the approval of shareholders by way of ordinary resolution in a general meeting and of such relevant authorities which may then be required. The 2004 Share Option Scheme is administered by the Remuneration Committee.

The number of outstanding share options under the 2004 Share Option Scheme as at December 31, 2011 is 21,835,000 (31 December 2010: 15,330,000). No further option will be granted under the 2004 Share Option Scheme upon the listing of the Company on the Stock Exchange on December 21, 2011.

## 22 SHARE-BASED PAYMENT (CONT'D)

***Equity-settled share option scheme (cont'd)***

**Share Option Scheme II**

On June 9, 2011, the Company adopted the share option scheme ("2011 Share Option Scheme"). The purpose of the 2011 Share Option Scheme is to enable the Company to grant options to eligible participants as incentives or rewards for their contribution to the Group, and to encourage eligible participants to perform their best in achieving goals of the Group.

Directors (including non-executive directors and independent directors) and employees of the Group are eligible to participate in the 2011 Share Option Scheme.

The 2011 Share Option Scheme shall be in force up to a maximum period of 10 years from the date on which the 2011 Share Option Scheme was adopted and may be continued beyond the stipulated period with the approval of shareholders by way of ordinary resolution in a general meeting and of such relevant authorities which may then be required. The 2011 Share Option Scheme is administered by the Remuneration Committee.

The 2011 Share Option Scheme is administered by the Remuneration Committee.

The options that are granted under the 2011 Share Option Scheme may have exercise prices that are the higher of (I) the closing price of the Shares as stated in the daily quotations sheet issued by the SEHK or the SGX-ST (whichever is higher) on the Offer Date, which must be a business day; and (II) the average closing price of the Shares as stated in the daily quotations sheets issued by the SEHK or the SGX-ST for the five consecutive business days immediately preceding the Offer Date (whichever is higher).

Where the options are granted to controlling shareholders and their associates, (a) the aggregate number of Shares available to controlling shareholders and their associates shall not exceed 25% of the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2011 Share Option Scheme; (b) the aggregate number of Shares available to each controlling shareholder or his associate shall not exceed 10% of the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2011 Share Option Scheme ; (c) the separate approval of independent Shareholders is obtained for each participant in respect of his participation and the number of Shares comprise in the options to be granted to him and the terms.

The number of shares comprised in any option to be offered to a participant in the 2011 Share Option Scheme shall be determined at the absolute discretion of the Remuneration Committee.

No options have been granted under the 2011 Share Option Scheme since its adoption date.

## 22 SHARE-BASED PAYMENT (CONT'D)

***Equity-settled share option scheme (cont'd)***

Particulars on share-based payment arrangements are as follows:

2004 Share Option Scheme

| Number | Grant date | Expiry date | Exercise price | Fair value at grant date |
|---|---|---|---|---|
| 825,000 | April 15, 2008 | April 14, 2018 | S$0.26 | S$0.14 (1)<br>S$0.11 (2) |
| 3,855,000 | March 2, 2009 | March 1, 2019 | S$0.16 | S$0.11 (1)<br>S$0.10 (2) |
| 150,000 | May 22, 2009 | May 21, 2019 | S$0.16 | S$0.11 (1)<br>S$0.10 (2) |
| 10,500,000 | January 11, 2010 | January 10, 2020 | S$0.23 | S$0.16 (1)(2) |
| 6,800,000 | January 6, 2011 | January 5, 2021 | S$0.42 | S$0.19 (1)<br>S$0.18 (2) |

(1) Senior management
(2) General management

## 22 SHARE-BASED PAYMENT (CONT'D)

***Equity-settled share option scheme (cont'd)***

The following provides information on the outstanding share options granted under the employee share option plan at the beginning and end of the financial year:

| | Group and Company | | | | | | |
|---|---|---|---|---|---|---|---|
| **Date of grant** | **Balance at January 1, 2011** | **Granted** | **Exercised** | **Lapsed** | **Balance at December 31, 2011** | **Exercise price per share** | **Exercisable period** |
| April 15, 2008 | 825,000 | – | – | (75,000) | 750,000 | S$0.26 | April 15, 2009 to April 14, 2018 |
| March 2, 2009 | 3,855,000 | – | – | (45,000) | 3,810,000 | S$0.16 | March 2, 2010 to March 1, 2019 (Note) |
| May 22, 2009 | 150,000 | – | – | – | 150,000 | S$0.16 | May 22, 2010 to May 21, 2019 (Note) |
| January 11, 2010 | 10,500,000 | – | – | (150,000) | 10,350,000 | S$0.23 | January 11, 2011 to January 10, 2020 (Note) |
| January 6, 2011 | – | 6,800,000 | – | (25,000) | 6,775,000 | S$0.42 | January 6, 2012 to January 5, 2021 (Note) |
| Total | 15,330,000 | 6,800,000 | – | (295,000) | 21,835,000 | | |

| | Group and Company | | | | | | |
|---|---|---|---|---|---|---|---|
| **Date of grant** | **Balance at January 1, 2010#** | **Granted#** | **Exercised** | **Cancelled/ Lapsed** | **Balance at December 31, 2010#** | **Exercise price per share#** | **Exercisable period** |
| April 15, 2008 | 825,000 | – | – | – | 825,000 | S$0.26 | April 15, 2009 to April 14, 2018 |
| March 2, 2009 | 3,855,000 | – | – | – | 3,855,000 | S$0.16 | March 2, 2010 to March 1, 2019 (Note) |
| May 22, 2009 | 150,000 | – | – | – | 150,000 | S$0.16 | May 22, 2010 to May 21, 2019 (Note) |
| January 11, 2010 | – | 10,500,000 | – | – | 10,500,000 | S$0.23 | January 11, 2011 to January 10, 2020 (Note) |
| Total | 4,830,000 | 10,500,000 | – | – | 15,330,000 | | |

## 22 SHARE-BASED PAYMENT (CONT'D)

***Equity-settled share option scheme (cont'd)***

Note: 30% of the options vested on the first anniversary of the date of grant. The remaining 70% of the options vested on the third anniversary of the date of grant.

# Adjusted to reflect the Bonus Shares issued on the basis of one bonus share for every two existing ordinary shares on May 17, 2010 (Note 23).

The number of share options exercisable at the end of the year amounted to 5,043,000 (2010 : 2,026,500). The weighted average exercised price at the end of the year is S$0.28 (2010 : S$0.21).

The options outstanding at the end of the year have a weighted average remaining contractual life of approximately 8 years (2010 : 9 years).

In 2011, options were granted on January 6, 2011. The estimated fair value of the options granted was US$1,005,000. In 2010, options were granted on January 11, 2010. The estimated fair value of the options granted was US$827,000.

The fair value for share options granted during the year was calculated using the Binomial Option Pricing Model. The inputs into the model were as follows:

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | **Senior management** | **General management** | **Senior management** | **General management** |
| Weighted average share price on date of grant (Singapore cents) | 42 | 42 | 37 | 37 |
| Weighted average exercise price (Singapore cents) | 42 | 42 | 34 | 34 |
| Expected volatility | 49.00% | 49.00% | 50.00% | 50.00% |
| Expected life (years) | 10 | 10 | 7.8 | 7.8 |
| Risk free rate | 2.72% | 2.72% | 2.66% | 2.66% |
| Expected dividend yield | 1.90% | 1.90% | 3.29% | 3.29% |

Expected volatility was determined by calculating the historical volatility of the Company's share price from May 2004. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised total expenses of US$751,000 (2010 : US$458,000) related to equity-settled share-based payment during the year. One of the senior management resigned during the year, there was transfer from share option reserve to retained earnings of US$15,000 (2010 : US$Nil).

## 23 SHARE CAPITAL

**Group and Company**

| | 2011 | 2010 | 2011 | 2010 |
|---|---|---|---|---|
| | Number of ordinary shares of US$0.05 each | | US$'000 | US$'000 |
| Authorised | 800,000,000 | 800,000,000 | 40,000 | 40,000 |
| Issued and paid up: | | | | |
| At beginning of the year | 232,500,000 | 155,000,000 | 11,625 | 7,750 |
| Bonus shares issued | – | 77,500,000 | – | 3,875 |
| At end of the year | 232,500,000 | 232,500,000 | 11,625 | 11,625 |

On 17 May 2010, 77,500,000 shares (the "Bonus Shares") were issued to its shareholders on the basis of one bonus share for every two existing ordinary shares in the capital of the Company.

The Company has one class of ordinary shares which carry no right to fixed income.

On December 21, 2012, the Company's shares are successfully listed on the Main Board of the SEHK by introduction. As a result, the Company now has a Dual Primary Listing of its shares on both the SGX-ST and SEHK.

## 24 RESERVES

| | Group and Company 2011 | Group and Company 2010 |
|---|---|---|
| | US$'000 | US$'000 |
| (a) Share premium: | | |
| At beginning of the year | 8,099 | 11,974 |
| Bonus shares issued (Note 23) | – | (3,875) |
| At the end of the year | 8,099 | 8,099 |

The Bermuda Companies Act provides that where a company issues shares at a premium whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account, to be called "the share premium account" and the provisions of The Bermuda Companies Act relating to a reduction of share capital shall, except as provided in Section 40 of The Bermuda Companies Act, apply as if the share premium account were paid up share capital for the Company. The share premium account may be applied by the Company in paying for issue of bonus shares, paying for expenses on issue of shares or debentures of the Company and paying premium on redemption of shares and debentures of the Company.

## 24 RESERVES (CONT'D)

| | Group and Company |
|---|---|
| | US$'000 |
| (b) Contributed surplus: | |
| Balances at December 31, 2010 and December 31, 2011 | 394 |

In accordance with Section 40 of The Bermuda Companies Act, the excess value of shares acquired over the nominal value of shares issued in an exchange of shares in a past restructuring of the Group is recorded in the contributed surplus account. The contributed surplus can be distributed if the realisable value of the Company's assets exceeds the aggregate of liabilities, issued capital and share premium and the Company is able to pay liabilities as and when they fall due, after distribution of the contributed surplus as set out in Section 54 of The Bermuda Companies Act.

## 25 REVENUE

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | US$'000 | US$'000 |
| Sale of analytical instruments, life science equipment and laboratory instruments | 154,102 | 127,090 |

## 26 OTHER OPERATING (EXPENSES) INCOME

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | US$'000 | US$'000 |
| Other operating expenses | | |
| Net loss on disposal of properties, plant and equipment | 1 | 2 |
| Foreign exchange loss, net | 537 | 16 |
| Listing expenses (1) | 2,809 | – |
| Loss in fair value changes of investments carried at fair value through profit or loss | 118 | – |
| Loss in fair value changes of derivative instruments | – | 53 |
| | 3,465 | 71 |
| Other operating income | | |
| Maintenance service income | 16 | 26 |
| Interest income on bank deposits | 26 | 136 |
| Sundry income | 785 | 790 |
| Gain on disposal of a jointly controlled entity | – | 653 |
| Recovery of inventories written-off (2) | – | 149 |
| Gain in fair value changes of investments carried at fair value through profit or loss | – | 27 |
| | 827 | 1,781 |
| Other operating (expenses) income, net | (2,638) | 1,710 |

(1) : This relates to the expenses incurred for the dual primary listing of the Company's Shares on the SEHK by way of introduction on December 21, 2011.

(2): In 2010, there was a significant increase in the selling price of finished goods due to market shortage in finished goods. As a result, a reversal of inventories written off of US$149,000 (2010: nil) had been recognised.

## 27 FINANCE COSTS

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | US$'000 | US$'000 |
| Interest on bank borrowings: | | |
| - wholly repayable within five years | 658 | 563 |
| - not wholly repayable within five years | 63 | 2 |
| | 721 | 565 |

## 28 INCOME TAX EXPENSE

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | US$'000 | US$'000 |
| Current tax | | |
| - Hong Kong Profits Tax | 28 | 101 |
| - PRC Enterprise Income Tax | 90 | 497 |
| - Others | 306 | 63 |
| | 424 | 661 |
| Under (over) provision of current tax in prior years | | |
| - PRC Enterprise Income Tax | 22 | (8) |
| - Others | 33 | – |
| | 55 | (8) |
| Deferred tax (Note 21) | (167) | (68) |
| Withholding tax paid for distributed profit of a PRC subsidiary | 44 | – |
| | 356 | 585 |

The income tax expense for the 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 profit for the year respectively.

Withholding tax paid for distributed profit of a PRC subsidiary is calculated at 10% of the distribution outside PRC.

PRC Enterprise Income Tax is calculated at the applicable tax rates at 25% (2010:12.5 to 25%) in accordance with the relevant laws and regulations in the PRC. Under the Enterprise Income Tax Law (the "EIT Law"), the income tax rate for both domestic and foreign-investment enterprise would be unified at 25% effective from January 1, 2008. Pursuant to the relevant laws and regulations in the PRC, a PRC subsidiary is entitled to exemption from PRC income tax for the two years commencing from its first profit making year of operation and thereafter, it will be entitled to a 50% relief from PRC income tax for the following three years. The Tax holiday enjoyed by the relevant PRC subsidiary had expired in 2011.

## 28 INCOME TAX EXPENSE (CONT'D)

The Macau subsidiary is currently enjoying tax exemption provided by Decree-Law no. 58/99/M. Under that law, The Macau subsidiary is duly authorized to operate as an offshore institution and is exempted from Macau income tax when the income is generated through the engagement in offshore business that target only overseas residents as customers and use only non-Macau currency in its activities. Therefore the applicable tax rate for the Macau subsidiary is zero.

The total charge for the year can be reconciled to the accounting profit as follows:

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **US$'000** | **US$'000** |
| Profit before income tax | 8,634 | 10,800 |
| Income tax credit (expense) at the applicable tax rates of relevant jurisdictions | 224 | (254) |
| Non-taxable items | 8 | 1 |
| Non-deductible items | (238) | (171) |
| (Under) Over provision in prior year | (55) | 8 |
| Utilisation of tax benefits previously not recognised | 87 | 147 |
| Deferred tax benefit not recognised | (325) | (291) |
| Withholding tax paid for distributed profit of a PRC subsidiary | (44) | – |
| Others | (13) | (25) |
| Total income tax expense | (356) | (585) |

Tax losses available for offsetting against future taxable income are as follows:

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **US$'000** | **US$'000** |
| Amount at beginning of the year | 2,831 | 1,823 |
| Amount in the current year | 2,834 | 1,646 |
| Amount utilised in the current year | (379) | (638) |
| Amount at end of the year | 5,286 | 2,831 |

At the end of the reporting period, the Group has unutilised tax losses of US$5,286,000 (2010 : US$2,831,100) available for offsetting against future periods. A deferred tax asset of US$208,000 (2010 : Nil) was recognised for unutilised tax losses of US$798,000 for a subsidiary due to realisable future profit streams. No deferred tax asset has been recognised for the remaining unutilised tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of US$2,232,000 (2010 : US$1,453,000) which will expire over the period from 2012 to 2016 (2010 : 2011 to 2015) and US$1,595,000 (2010 : US$543,000) which will expire over the period from 2012 to 2019 (2010 : 2011 to 2018). Other losses can be carried forward indefinitely.

## 29 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | US$'000 | US$'000 |
| Directors' remuneration | 751 | 713 |
| Employee benefits expense | 13,705 | 13,630 |
| Share based payments (excluding directors) | 579 | 320 |
| Cost of defined contribution plans included in employee benefits expense | 2,081 | 1,670 |
| | 17,116 | 16,333 |
| Costs of inventories recognised as expense | 107,453 | 85,762 |
| Amortisation of intangible assets (1) | 1,526 | 1,356 |
| Depreciation of properties, plant and equipment | 1,223 | 1,112 |
| Net foreign exchange loss | 537 | 16 |
| Net loss on disposal of properties, plant and equipment | 1 | 2 |
| Auditors' remuneration paid to: | | |
| - Auditors of the Company | 68 | 55 |
| - Other auditors | 291 | 365 |
| Non-audit fees paid to: | | |
| - Auditors of the Company | 4 | 2 |
| - Other auditors | 36 | 82 |
| Research costs recognised as an expense | 441 | 449 |
| Intangible assets written off | – | 61 |
| Allowance for doubtful debts | 294 | 486 |
| Listing expenses | 2,809 | – |
| Loss in fair value changes of derivative financial instruments | – | 53 |
| Loss (gain) in fair value changes of investments carried at fair value through profit or loss | 118 | (27) |

(1) This is included in administrative expenses in the consolidated statement of comprehensive income.

## 30 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid to the directors of the company for the year ended December 31, 2011 and 2010 are as follows;

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | US$'000 | US$'000 |
| Directors' emoluments | | |
| - directors' fee | 129 | 117 |
| - basic salaries and allowances | 359 | 343 |
| - bonus | 79 | 103 |
| - share-based payments | 172 | 138 |
| - contributions to retirement benefits scheme | 12 | 12 |
| | 751 | 713 |

Details of emoluments paid by the Group to the directors of the Company are as follows:

| | Lo Yat Keung | Chan Wai Shing | Xu Guoping | Ho Yew Yuen | Seah Kok Khong | Teng Cheong | Total |
|---|---|---|---|---|---|---|---|
| | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| 2011 | | | | | | | |
| Director fee | – | – | – | 45 | 42 | 42 | 129 |
| Basic salaries and allowances | 157 | 101 | 101 | – | – | – | 359 |
| Bonus (Note) | 35 | 22 | 22 | – | – | – | 79 |
| Share based payments | – | 86 | 86 | – | – | – | 172 |
| Contributions to retirement benefit scheme | 2 | 10 | – | – | – | – | 12 |
| | 194 | 219 | 209 | 45 | 42 | 42 | 751 |
| 2010 | | | | | | | |
| Director fee | – | – | – | 40 | 38 | 39 | 117 |
| Basic salaries and allowances | 152 | 98 | 93 | – | – | – | 343 |
| Bonus (Note) | 45 | 30 | 28 | – | – | – | 103 |
| Share based payments | – | 69 | 69 | – | – | – | 138 |
| Contributions to retirement benefit scheme | 2 | 10 | – | – | – | – | 12 |
| | 199 | 207 | 190 | 40 | 38 | 39 | 713 |

Note: The bonus is determined with reference to the operating results, individual performance and comparable market statistic during the year.

## 30 DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONT'D)

The five highest paid individuals include three (2010: three) directors of the Company for the year ended December 31, 2011, details of whose emoluments are disclosed above. The emoluments of two highest paid individuals during the year as follows:

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **US$'000** | **US$'000** |
| Employees | | |
| - basic salaries and allowances | 397 | 442 |
| - bonus | 19 | – |
| - share-based payments | 68 | – |
| - contributions to retirement benefits scheme | 76 | 59 |
| | 560 | 501 |

The emoluments of the two highest paid employees above were within following bands:

| | 2011 | 2010 |
|---|---|---|
| | **Number of individuals** | |
| HK$1,000,001 to HK$1,500,000 (equivalent to US$128,816 to US$192,308) | 1 | 1 |
| HK$2,500,001 to HK$3,000,000 (equivalent to US$322,165 to US$386,598) | 1 | 1 |

During the year ended December 31, 2011 and 2010, no emoluments were paid by the Group to directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived any emoluments during both years.

## 31 DIVIDENDS

In 2010, the Company declared and paid a final dividend of S$0.012 (US$0.0088) per ordinary share totalling US$1,371,000 out of accumulated profits in respect of the financial year ended December 31, 2009 prior to the bonus shares issued on May 17, 2010.

In 2011, the Company declared and paid a final dividend of S$0.01 (US$0.0083) per ordinary share totalling US$1,890,000 out of accumulated profits in respect of the financial year ended December 31, 2010.

In respect of the current financial year, the directors propose that a final dividend of HK$0.062 (US$0.0079) per share be paid to shareholders. This proposed dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. Based on the number of ordinary shares as at December 31, 2011, the total dividend to be paid is approximately US$1,848,000.

## 32 EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary owners of the Company is based on the following data:

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | US$'000 | US$'000 |
| Profit for the year attributable to owners of the Company | 8,399 | 10,504 |

| | Number of shares | |
|---|---|---|
| | '000 | |
| Number of ordinary shares for the purpose of basic earnings per share | 232,500 | 232,500 |

The calculation of the diluted earnings per share attributable to the ordinary owners of the Company is based on the following data:

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | US$'000 | US$'000 |
| Profit for the year attributable to owners of the Company | 8,399 | 10,504 |

| | Number of shares | |
|---|---|---|
| | '000 | |
| Number of ordinary shares for the purpose of basic earnings per share | 232,500 | 232,500 |
| Add: Effect of dilutive potential ordinary shares relating to outstanding share options issued by the Company | 6,739 | 6,588 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 239,239 | 239,088 |

The calculation of diluted earnings per share takes into account on the effects of employee share options granted up to the end of the reporting period.

## 33 ACQUISITION OF SUBSIDIARY

On February 11, 2010, the Group entered into a Sale and Purchase agreement for the acquisition of 80% of the issued capital of Precisa and 80% of the shareholders' loan for a total purchase consideration of approximately CHF3,510,000 (US$3,307,000). Precisa was acquired so as to continue the expansion of the Group's manufacturing operation.

| | **Consideration transferred 2010** |
|---|---|
| | **US$'000** |
| Cash | 3,307 |

Acquisition-related costs have been excluded from the consideration transferred. The costs were insignificant and have been recognised as an expense in the period, within the administrative expenses in the consolidated statement of comprehensive income.

**Assets acquired and liabilities assumed at the date of acquisition**

| | **2010** |
|---|---|
| | **US$'000** |
| Property, plant and equipment | 600 |
| Intangible assets | 2,565 |
| Cash and bank balances | 363 |
| Trade and other receivables | 1,040 |
| Inventories | 2,468 |
| Trade and other payables | (1,877) |
| Bank borrowings | (464) |
| Loan from non-controlling interest | (1,174) |
| Deferred tax liabilities | (213) |
| Net assets acquired and liabilities assumed | 3,308 |

The fair value of receivables acquired, which principally comprised trade receivables, prepayments and other receivables approximated the gross contractual amounts. There are no contractual cash flows not expected to be collected.

The non-controlling interest (20%) in Precisa recognised at the acquisition date was measured at their share of the fair value of the identifiable net assets acquired and amounted to US$1,000.

No goodwill was recognised in the acquisition as the fair values of the acquired net assets were equivalent to the purchase consideration.

## 33 ACQUISITION OF SUBSIDIARY (CONT'D)

**Net cash outflow on acquisition**

| | 2010 |
|---|---|
| | US$'000 |
| Cash consideration | (3,307) |
| Cash and bank balances acquired | 363 |
| Net cash outflow from acquisition of a subsidiary | (2,944) |

**Impact of acquisition on the results of the Group**

In 2010, Precisa contributed US$8,087,000 to revenue and loss of US$968,000 to the Group's profit before tax for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on January 1, 2010, total Group revenue for the year would have been US$127,931,000 and the profit for the year would have been US$9,690,000.

## 34 OPERATING LEASE ARRANGEMENTS

***The Group as lessee***

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | US$'000 | US$'000 |
| Minimum lease payments under operating leases recognised as an expense in the year | 1,271 | 922 |

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | US$'000 | US$'000 |
| Within one year | 1,084 | 1,095 |
| In the second to fifth year inclusive | 2,478 | 2,159 |
| After five years | 1,337 | 1,079 |
| | 4,899 | 4,333 |

Operating lease payments represent rentals payable by the Group for certain of its factories and office spaces. Leases are negotiated for and rentals are fixed for a term ranging from 1 to 8 years (2010 : 1 to 8 years).

***Company***

At the end of the reporting period, the Company has no lease commitments.

## 35 CONTINGENT LIABILITIES

(a) Group

At December 31, 2011 and December 31, 2010, the Group has no contingent liabilities.

(b) Company

The Company provided corporate guarantees of US$71,099,000 (2010 : US$68,190,000) to certain banks as security for banking facilities granted to its subsidiaries as at year end. For the purpose of determining the deemed investment in subsidiaries relating to these corporate guarantees (Note 14) given without any fees charged by the Company to the subsidiaries, management has taken into account the fact that credit facilities covered by the corporate guarantees are substantially more than the amounts required by the Group and have therefore used an estimate of the maximum credit lines required by the Group as a basis for determining the deemed investment in subsidiaries arising from the corporate guarantees.

## 36 SEGMENT INFORMATION

Segment revenue and expense: Segment revenue and expense are the operating revenue and expense reported in the Group's statement of comprehensive income that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

**Products and services from which reportable segments derive their revenues**

For management purposes, the Group is organised into two operating divisions - distribution and manufacturing. These are also the divisions that the Group's chief operating decision maker focused on for the purposes of resource allocation and assessment of segment performance.

Principal activities of each reportable operating segment are as follows:

Distribution - distribution of analytical and laboratory instruments and life science equipment; and

Manufacturing - the design and manufacture and sales of analytical and laboratory instruments and life science equipment.

## 36 SEGMENT INFORMATION (CONT'D)

Information regarding the Group's reportable segments is presented below.

**Segment revenues and results**

| | Distribution | Manufacturing | Total |
|---|---|---|---|
| | US$'000 | US$'000 | US$'000 |
| **2011** | | | |
| **Revenue** | 106,006 | 48,096 | 154,102 |
| **Results** | | | |
| Segment result | 6,737 | 5,107 | 11,844 |
| Unallocated results (1) | | | (3,210) |
| Profit before income tax | | | 8,634 |
| Income tax expense | | | (356) |
| Profit for the year | | | 8,278 |
| **2010** | | | |
| **Revenue** | 87,337 | 39,753 | 127,090 |
| **Results** | | | |
| Segment result | 6,797 | 3,513 | 10,310 |
| Unallocated results | | | 490 |
| Profit before income tax | | | 10,800 |
| Income tax expense | | | (585) |
| Profit for the year | | | 10,215 |

(1) Included listing expense of US$2,809,000.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of share of results of joint venture and associate, fair value gain or loss on derivative financial instruments and investments carried at fair value through profit or loss, listing expenses and income tax expense. There are no reconciling items for revenue. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

## 36 SEGMENT INFORMATION (CONT'D)

### Segment assets, liabilities and other information

| | Distribution | Manufacturing | Total |
|---|---|---|---|
| | US$'000 | US$'000 | US$'000 |
| **2011** | | | |
| **ASSETS** | | | |
| Segment assets | 80,242 | 45,054 | 125,296 |
| Unallocated assets | | | 2,633 |
| Consolidated assets | | | 127,929 |
| **LIABILITIES** | | | |
| Segment liabilities | 46,128 | 13,463 | 59,591 |
| Unallocated liabilities | | | 2,352 |
| Consolidated total liabilities | | | 61,943 |
| **OTHER INFORMATION** | | | |
| Capital expenditure | 60 | 2,076 | 2,136 |
| Depreciation and amortisation | 230 | 2,519 | 2,749 |
| Finance costs | 670 | 51 | 721 |
| Interest income | (9) | (17) | (26) |
| **2010** | | | |
| **ASSETS** | | | |
| Segment assets | 59,845 | 44,326 | 104,171 |
| Unallocated assets | | | 3,237 |
| Consolidated assets | | | 107,408 |
| **LIABILITIES** | | | |
| Segment liabilities | 33,973 | 13,820 | 47,793 |
| Unallocated liabilities | | | 2,084 |
| Consolidated total liabilities | | | 49,877 |
| **OTHER INFORMATION** | | | |
| Capital expenditure | 113 | 6,521 | 6,634 |
| Depreciation and amortisation | 176 | 2,292 | 2,468 |
| Finance costs | 507 | 58 | 565 |
| Interest income | (74) | (62) | (136) |

## 36 SEGMENT INFORMATION (CONT'D)

**Segment assets, liabilities and other information (cont'd)**

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible and financial assets attributable to each segment.

All assets are allocated to reportable segments other than investments carried at fair value through profit or loss (Note 9), interest in an associate (Note 10), available-for-sale investments (Note 17), deferred tax assets (Note 21) and income tax recoverable. Goodwill has been allocated to reportable segment based on the subsidiary's operating division which is the manufacturing division of Richwell Hightech Systems Inc. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

All liabilities are allocated to reportable segments other than income tax and deferred tax liabilities (Note 21) and amounts due to non-controlling interests (Note 11).

**Revenue from major products**

There is no information of revenue from major products because in the opinion of the directors, the cost to develop such information is excessive. There are a wide range of products that the Group is selling.

**Geographical information**

The Group operates principally in PRC, Hong Kong, Macau, Singapore, India, Switzerland and France.

The Group's revenue from external customers by country, based on location of customers is detailed below:

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **US$'000** | **US$'000** |
| PRC (excluding Hong Kong and Macau) | 119,229 | 91,878 |
| Hong Kong and Macau | 1,482 | 1,896 |
| Indonesia | 4,751 | 2,969 |
| India | 6,351 | 5,728 |
| France | 7,909 | 8,655 |
| Switzerland | 7,181 | 6,075 |
| Others (1) | 7,199 | 9,889 |
| Total | 154,102 | 127,090 |

## 36 SEGMENT INFORMATION (CONT'D)

**Geographical information (cont'd)**

The Group's information about its segment assets (non-current assets excluding available-for-sale investments and deferred tax asset) by geographical location, based on location of assets are detailed below:

| | Group Non-current assets | |
|---|---|---|
| | **2011** | **2010** |
| | **US$'000** | **US$'000** |
| PRC (excluding Hong Kong and Macau) | 8,134 | 7,861 |
| Hong Kong | 1,286 | 1,337 |
| France | 1,786 | 2,034 |
| Switzerland | 7,092 | 7,436 |
| Others (2) | 949 | 1,207 |
| Total | 19,247 | 19,875 |

(1) The geographic segment classified as "Others" include Europe (other than France and Switzerland), the United States of America, Japan, Pakistan, South Asia, Middle East and Australia.

(2) The geographic segment classified as "Others" include Macau, Singapore, India and Austria.

**Information about major customers**

There is no single external customer contributing over 10% of the total sales of the Group for 2011 and 2010.

## 37 EVENTS AFTER THE REPORTING PERIOD

On 28 December 2011, the Group entered into a sales and purchase agreement to further acquire the remaining 32% of equity interests in Richwell Hightech System Inc., a non-wholly owned subsidiary of the Company at total consideration of RMB 7,200,000 (equivalent to approximately US$1,090,000). The acquisition has not yet been completed up to the date of approval of this report.

# Financial Summary

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2010** | **2011** |
| | **US$'000** | **US$'000** | **US$'000** | **US$'000** | **US$'000** |
| **RESULT** | | | | | |
| Revenue | 65,819 | 81,029 | 104,781 | 127,090 | 154,102 |
| Profit before taxation | 6,383 | 2,961 | 7,829 | 10,800 | 8,634 |
| Income tax expense | (372) | 47 | (345) | (585) | (356) |
| Profit for the year attributable to equity holders of the Company | 6,011 | 3,008 | 7,484 | 10,215 | 8,278 |
| **ASSETS AND LIABILITIES** | | | | | |
| Total assets | 54,847 | 72,563 | 81,818 | 107,408 | 127,929 |
| Total liabilities | (18,889) | (34,283) | (35,931) | (49,877) | (61,943) |
| Balance of shareholders' funds | 35,958 | 38,280 | 45,887 | 57,531 | 65,986 |

# Statistics of Shareholdings

March 8, 2012

**Shareholdings Statistics as at March 8, 2012**

| | | |
|---|---|---|
| Issued and fully paid-up | - | US$11,625,000 |
| Class of shares | - | Ordinary shares of US$0.05 each |
| Voting rights | - | On a show of hands: 1 vote for each shareholder |
| | - | On a poll: 1 vote for each ordinary share |

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 - 999 | 30 | 4.10 | 13,992 | 0.01 |
| 1,000 - 10,000 | 308 | 42.13 | 1,454,500 | 0.63 |
| 10,001 - 1,000,000 | 378 | 51.71 | 23,885,758 | 10.27 |
| 1,000,001 and above | 15 | 2.05 | 207,145,750 | 89.09 |
| | 731 | 100.00 | 232,500,000 | 100.00 |

**TOP 20 SHAREHOLDERS**

| No. | Name of Shareholder | No. of Shares | % |
|---|---|---|---|
| 1 | HKSCC Nominees Limited | 114,190,000 | 49.11 |
| 2 | Lo Yat Keung | 41,833,500 | 17.99 |
| 3 | HSBC (Singapore) Nominees Pte Ltd | 14,450,000 | 6.22 |
| 4 | Xu Guo Ping | 9,870,000 | 4.25 |
| 5 | Yung Yat | 7,500,000 | 3.23 |
| 6 | DBS Vickers Securities (S) Pte Ltd | 5,750,250 | 2.47 |
| 7 | Wang Meng | 3,000,000 | 1.29 |
| 8 | DBS Nominees Pte Ltd | 2,647,000 | 1.14 |
| 9 | Morgan Stanley Asia (S) Securities Pte Ltd | 2,025,000 | 0.87 |
| 10 | BNP Paribas Nominees Singapore Pte Ltd | 1,860,000 | 0.80 |
| 11 | Xia Yisheng | 1,500,000 | 0.65 |
| 12 | Raffles Nominees (Pte) Ltd | 1,495,000 | 0.64 |
| 13 | Lee Kah Hui | 1,025,000 | 0.44 |
| 14 | Citibank Nominees Singapore Pte Ltd | 976,000 | 0.42 |
| 15 | Wong Suei Horng | 969,000 | 0.42 |
| 16 | Ocbc Securities Private Ltd | 968,500 | 0.42 |
| 17 | UOB Kay Hian Pte Ltd | 791,000 | 0.34 |
| 18 | Maybank Kim Eng Securities Pte Ltd | 573,500 | 0.25 |
| 19 | Estate of Kok Kim Chong, Deceased | 450,000 | 0.19 |
| 20 | Seow Ho Peng | 450,000 | 0.19 |
| | | 212,323,750 | 91.33 |

# Statistics of Shareholdings

March 8, 2012

**Shareholdings Held in Hands of Public**

Based on information available to the Company as at March 8, 2012, 32.16% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited and Rule 8.08 of the Listing Rules of SEHK are complied with.

**SUBSTANTIAL SHAREHOLDERS**

| Name of Shareholder | Direct Interest No. of Shares | Direct Interest % of total issued shares | Deemed Interest No. of Shares | Deemed Interest % of total issued shares |
|---|---|---|---|---|
| Lo Yat Keung | 104,956,500 [1] | 45.14 | 7,500,000 [2] | 3.23 |
| Kabouter Management, LLC | – | – | 25,384,000 [3] | 10.92 |

[1] Direct interest includes 58,125,000 shares, 1,860,000 shares and 3,138,000 shares held through HKSCC Nominees Limited, BNP Paribas Nominees Singapore Pte Ltd and HSBC (Singapore) Nominees Pte Ltd respectively.

[2] Mr Lo Yat Keung, our President, is deemed to be interested in the shares held by his spouse, Ms Yung Yat, who has an interest in 7,500,000 shares.

[3] Kabouter Management, LLC notified the Company that it is deemed interested in Shares, held through HKSCC Nominees Limited, owned by Kabouter Fund II (managed by Kabouter Management, LLC), Kabouter Fund I QP (managed by Kabouter Management, LLC) and Talon International select partners fund (managed by Kabouter Management, LLC).

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TECHCOMP 天美

6/F., Mita Center,
552-566 Castle Peak Road,
Kwai Chung, Kowloon, Hong Kong

Tel: 852-2751 9488
Fax: 852-2751 9477
Email: techcomp@techcomp.com.hk
Website: www.techcomp.com.hk