



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

Expanding our Strategic Network

ANNUAL REPORT 2014



* for identification purpose only

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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, develops, manufactures, distributes and services spectrophotometers, fluorescence spectrofluorometers, chromatographs, gas chromatographs and gas chromatography mass spectrometry single-quad, 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” “IXRF”, “Precisa”, “Edinburgh”, “Scion”, etc.
- Manufacturing facilities in Shanghai, USA & Europe
- Dedicated Research and Development (“R&D”) team
- Contributed 34.2% of revenue in FY2014

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 14 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 65.8% of revenue in FY2014

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 December 31, 2014 ("FY2014").

Over the years of development, Techcomp has progressed from a scientific and analytical instrument distribution-based company to an enterprise with integrated distribution, R&D and manufacturing business operations. This progress was achieved with the successful completion of several key acquisitions of European and US companies to optimize the Group's product portfolio as well as to maintain top international standards.

For FY2014, the Group recorded a turnover of US\$162.7 million, representing a 2.3% decrease compared to US\$166.4 million in FY2013. This was attributed to the decline of the distribution segment in the China market. Profit attributable to the owners of the Company dropped 6.8% to US\$3.4 million in FY2014 (FY2013: US\$3.7 million). However, due to the depreciation of the Japanese yen, the Group's gross profit margin improved to 31.2% in FY2014 (FY2013: 30.2%).

According to TechNavio analyst forecasts, the global process analytical instrumentation industry is projected to grow 3.47% CAGR over the period 2013-2018¹. A key factor seen as spurring the growth is the compliance of government requirements, especially in emerging markets such as China and India, which will present a significant upside driver for the process analytical instrumentation market².

During the past few years, commonly discussed and debated issues such as food safety, environmental protection and disease control have aroused the Chinese government's attention to these agendas, and provided the impetus for the introduction of relevant regulations, as well as increased financial support for the establishment of laboratories. Statistics from China's Ministry of Finance showed that the budget for laboratory instrument purchases and upgrades in 2014 was RMB85.8 billion³. Experts had estimated that the market size of the food safety testing industry would reach RMB10 billion by 2018⁴ from an estimated RMB5.2 billion in 2014. The popularity of the testing related industry implies notable market opportunities for the Group.

BUSINESS REVIEW

The high barriers of entry into the industry that Techcomp operates in allows the Group to enjoy stable business growth. As of the end of 2014, Techcomp has achieved its strategic

goal of developing an international business platform backed by several acquisitions in Europe and the United States. These acquisitions contributed to an optimized product portfolio and equipped the Group with relevant technologies that meet international standards. Currently, the Group possesses six bases for manufacturing, design, and R&D in Europe, the PRC and the United States. About 73.3% of our products were distributed to the PRC, 15.1% to Europe, 7.7% to Asia (other than PRC) and 3.9% to Rest of the World during FY2014.

The business model of the Group consists of two business segments: manufacturing and distribution. We believe that after years of development and growth, the Group's business will enter into a steady and mature stage in the coming years.

Manufacturing Segment

We are optimistic about the Group's strength and capability in R&D, which provides the momentum for our sustainable growth development. Further acquisitions were made in FY2014 with the view of absorbing technological knowhow and enhancing our manufacturing segment in line with international standards.

The Group completed two acquisitions during FY2014. At the beginning of 2014, Techcomp acquired the remaining equity interest in the Jingke Companies as we are optimistic about the business prospects of the manufacturing and trading of analytical and laboratory instruments. The acquisition enables the Company to execute its strategy in a more efficient and effective manner.

In line with the Group's business strategy to expand our market in Europe, Asia and North America, we completed the acquisition of assets in relation to the business of the gas chromatography and gas chromatography mass spectrometry single-quad (the "GC and GC-SQ-MS"). This is an opportunity to enable the Group to expand its presence in the above-mentioned markets and in the business of development, manufacture and sale of GC and GC-SQ-MS products. In FY2014, the manufacturing segment contributed US\$55.6 million, compared to US\$54.5 million in FY2013. We believe the newly-acquired manufacturing asset will enhance the Group's product mix in the GC and GC-SQ-MS products field and will continue to contribute further business increases in the coming year.

Distribution segment

The slower government funding and lengthened approval cycle as well as the declining growth rate of the economy in China⁵ have adversely impacted the financial performance of the Group's distribution business in 2014. The segment registered

MESSAGE TO SHAREHOLDERS

a turnover of US\$107.1 million in FY2014, representing a 4.3% decrease compared to last year (FY2013: US\$111.9 million). However, since a significant portion of the distribution products of the Group were imported from Japan, the depreciating Yen in 2014 contributed to a further enhancement of the overall gross profit margin.

OUTLOOK

The market in the South and Southeast Asian markets will remain stable while the European market is expected to remain challenging in the coming year. However, to produce a synergistic effect among the manufacturing facilities, Techcomp will continue optimizing its R&D, sourcing and manufacturing operations in the US, Europe, Japan and the PRC. The Group's operational performance may be affected if there is a significant appreciation or devaluation of the euro and yen.

According to the requirements spelled out in the National Supervision System for Food Safety of China's 12th Five-Year Plan, monitoring and supervision over food contaminants cover all administrative regions at the county level, and testing centers will be increased to 2,000 by 2015, compared to 209 testing centers in 2010, and monitoring points will be expanded to 2,870 by 2015; monitoring sample sizes have increased from 124,000 samples a year to 2.87 million samples per year. There is thus huge development potential in the area of enhancing food safety testing, requiring the setting up of more monitoring points and equipping facilities with more testing instruments⁶.

The escalating market demand fueled by growing concerns over food safety, disease control, environment protection and so forth presents good opportunities for our business expansion. Techcomp, committed to being the brand of choice among analytical equipment options, will devote continuous efforts to strengthening our R&D team while at the same time stepping up marketing activities to increase market share in the industry.

During the review period, Techcomp entered into two separate subscription agreements with two subscribers for the issue of an aggregate of 34,875,000 new shares at the subscription price of HK\$2.4 per subscription share. This allows us to broaden the capital and shareholder base of the Company, as well as raising funds to facilitate the acquisition of the assets in relation to the business of GC and GC-SQ-MS products during the year.

APPRECIATION

On behalf of the Board of Directors, I would also like to extend my sincere appreciation to the management of the Group and our employees for their years of contribution and hard work to the Group. You are our invaluable assets and the foundation of Techcomp's success and the Group's further development cannot be achieved without your continuous dedication.

In addition, I would very much like to express my heartfelt gratitude to our Shareholders, business partners as well as clients for their consistent support all along. We will continue to devote resources and efforts to achieving promising returns for all shareholders.

Sincerely,

Lo Yat Keung

President

Hong Kong, 19 March 2015

¹Global Process Analytical Instrument Market 2014-2018:

<http://www.prnewswire.com/news-releases/global-process-analytical-instrument-market-2014-2018-261086141.html>

²Global Process Analytical Instrumentation Market:

<http://www.frost.com/sublib/display-report.do?id=ND8A-01-00-00-00>

³实验室研究报告_2014-2020年中国实验室建设运行与投资潜力研究报告

<http://www.chinairn.com/report/20140814/090311699.html>

⁴Food Safety Testing Industry in China – Market Size to Reach 10 Billion by 2018 Says a New Report at ReportsnReports.com:

<http://www.prweb.com/releases/china-food-safety-testing/market-2014-2018/prweb11864178.htm>

⁵2014年我国经济增长放缓蕴含更高含金量

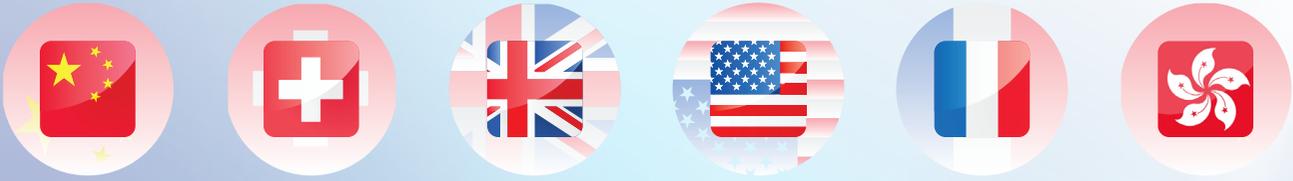
http://house.baidu.com/sjz/scan/0/5976886002181271297/?utm_campaign=baidu_xinwen_fcdt

⁶Food Safety Testing Industry in China – Market Size to Reach 10 Billion by 2018 Says a New Report at ReportsnReports.com:

<http://www.prweb.com/releases/china-food-safety-testing/market-2014-2018/prweb11864178.htm>

LEVERAGING GLOBAL RESOURCES AND CAPABILITIES

We have set our global footprint all across the world; in the PRC, Hong Kong, Southeast Asia, South Asia, Australia, Europe and the United States, that have accessed a broad range of specialized capability in the Scientific & Technical Instruments industry.



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
(Lead Independent Non-executive Director)

Teng Cheong Kwee
(Independent Non-executive Director)

Audit Committee

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

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

Joint Company Secretaries

Chan C.P. Grace
Sin Sheung Nam, Gilbert
Wong Wai Han

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
112 Robinson Road
#05-01
Singapore 068902

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

Auditors

Deloitte & Touche LLP
Public Accountants and Chartered Accountants
6 Shenton Way
OUE Downtown Two
#33-00
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 year ended 31 December 2014 ("FY2014"), our revenue for the distribution business decreased by 4.3% to US\$107.1 million from US\$111.9 million for the year ended 31 December 2013 ("FY2013") mainly due to the decrease in revenue for the distribution business in the PRC. The decrease in revenue for the distribution business in FY2014 caused the decrease of the segment results from the distribution business by 7.2% to US\$2.9 million from US\$ 3.1 million in FY2013.

Our revenue for the manufacturing business increased by 2.0% to US\$55.6 million in FY2014 from US\$54.5 million in FY2013. The increase in revenue was mainly attributed to the new business in relation to the gas chromatograph and gas chromatography mass spectrometry single-quad the ("GC and GC-SQ-MS") in the United States of America (the "US") which commenced in the last quarter of the year. The segment results from the manufacturing business decreased by 11.8% to US\$0.3 million in FY2014 from US\$0.4 million in FY2013 mainly due to an increase in product development costs.

The profit attributable to the owners of the Company was US\$3.4 million for FY2014, representing a decrease of 6.8% as compared with that of US\$3.7 million in FY2013. The decrease was a result of the decrease in revenue of the distribution business.

STATEMENT OF COMPREHENSIVE INCOME

Revenue

The revenue in FY2014 decreased by US\$3.7 million or 2.3% to US\$162.7million from US\$166.4 million in FY2013. The decrease in revenue in FY2014 was mainly attributed to the decrease in the sales of distribution products, particularly in the PRC.

Cost of sales

In tandem with the revenue decrease, cost of sales in FY2014 decreased by US\$4.2 million or 3.6% to US\$112.0 million from US\$116.2 million in FY2013.

Gross profit and gross profit margin

Gross profit in FY2014 increased by US\$0.5 million or 1% to US\$50.7 million from US\$50.2 million in FY2013. Gross profit margin increased by 1.0 percentage point to 31.2% in FY2014 compared with 30.2% in FY2013. The gross profit margin improvement was mainly attributed to the depreciation of the Japanese Yen, which is the currency in which the Group's purchase for the distribution business are primarily denominated in.

Other operating income (expenses)

The other operating income (expenses) decreased by US\$2.2million from US\$1.6 million income in FY2013 to US\$0.6

million expenses in FY2014. The decrease was mainly due to the increase in impairment loss recognised in respect of goodwill in FY2014 by US\$0.2 million, and the recognition of net exchange loss of US\$0.6 million in FY2014 compared to the net exchange gain of US\$1.4 million in FY2013. The exchange loss for the year was mainly attributed to the depreciation of Europe currencies such as Euro dollar, British Pounds and Swiss Franc at the end of 2014.

Distribution costs

Distribution costs in FY2014 increased by 0.1% to US\$16.5 million, due to an increase in transportation costs during the period.

Administrative expenses

Administrative expenses in FY2014 decreased by US\$1.3 million or 4.3% to US\$28.9 million from US\$30.2 million in FY2013, mainly due to the decrease of allowance for doubtful debts, and rationalisation and productivity measures adopted by the Company.

Finance costs

Finance costs in FY2014 decreased by 8.3% to US\$1.5 million as a result of the change in average balances of bank borrowings during the period.

Profit for the year

In view of the above, the profit for the year attributable to owners of the Company decreased by 6.8% or US\$0.3 million from US\$3.7 million in FY2013 to US\$3.4 million in FY2014.

STATEMENT OF FINANCIAL POSITION

Properties, plant and equipment

Properties, plant and equipment decreased by US\$1.3 million from US\$13.3 million as at 31 December 2013 to US\$12.0 million as at 31 December 2014.

Intangible assets

Intangible assets increased by US\$0.6 million from US\$3.9 million as at 31 December 2013 to US\$4.5 million as at 31 December 2014 mainly due to the addition of US\$2.9 million during the year, partially off-set by the amortization of US\$2.0 million.

Inventories

Inventories increased by US\$9.7 million from US\$28.4 million as at 31 December 2013 to US\$38.1 million as at 31 December 2014 mainly due to the acquisition of inventories in relation to the new business of the GC and GC-SQ-MS products.

FINANCIAL AND OPERATIONS REVIEW

Trade and other receivables

Trade and other receivables increased by US\$5.3 million from US\$78.6 million as at 31 December 2013 to US\$83.9 million as at 31 December 2014 mainly due to the increase in sales towards the end of FY2014 and increase in prepayment to the suppliers arising from the new acquired business of GC and GC-SQ-MS products.

Trade and other payables

Trade and other payables increased by US\$1.7 million from US\$27.7 million as at 31 December 2013 to US\$29.4 million as at 31 December 2014 mainly due to the amount payable arising from the acquisition of remaining interests in a subsidiary and an associate at the end of the year.

Cash and bank balances

Cash and bank balances increased by US\$1.4 million from US\$14.7 million as at 31 December 2013 to US\$16.1 million as at 31 December 2014 mainly due to the net cash inflow in financing activities of US\$8.7 million, which was partially offset by the net cash outflow in investing activities and operating activities of US\$3.9 million and US\$3.2 million respectively.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2014, the Group's net current assets stood at US\$68.1 million (31 December 2013: US\$58.4 million), of which the cash and bank balances were US\$16.1 million (31 December 2013: US\$14.7 million). The Group's current ratio was 2.0 (31 December 2013: 1.9).

Total bank borrowings as at 31 December 2014 reached US\$41.5 million (31 December 2013: US\$41.6 million). About 77.4% of the Group's bank borrowings were denominated in Hong Kong or US dollars, 13.5% in Japanese Yen and the rest in other currencies such as Swiss Franc and British Pounds. The Group's gearing ratio stood at 52.0% as at 31 December 2014 (31 December 2013: 59.9%), which is calculated based on 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 financing is managed 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.

On 22 October 2014, the Company placed 34,875,000 shares to two independent subscribers for consideration of HK\$2.4 per

share for the net proceeds of US\$10.7 million approximately. The proceeds were used to finance the acquisition of assets in relation to the GC and GC-SQ-MS products during the year.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2014, there were 821 (31 December 2013: 886) employees in the Group. Staff remuneration packages are determined after considering the market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

PROSPECTS

As a significant portion of the Group's distribution products are sourced in Japanese Yen, any significant fluctuations of Japanese Yen against US Dollar will have a material impact on the Group's gross margin in its distribution business.

Management believes that the scientific instrument market in the PRC in 2015 will grow faster than that in 2014, as more investments in the quality control system such as food safety, environment, health care and research and development, are expected.

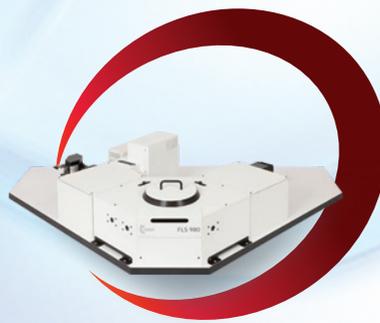
The Group continues to believe the demand for its products in South Asia and South East Asia regions will remain stable in general.

The newly acquired GC and GC-SQ-MS business is expected to be a new growth driver to the Group's manufacturing business.

Management believes that the Europe market will remain challenging. Despite this, the Group will continue to optimize the research and development, sourcing and manufacturing operations of the Group in the US, Europe and the PRC in order to produce synergistic effect among the manufacturing facilities. The Group's Switzerland operation performance may be adversely affected if there is a significant appreciation of the Swiss Franc against Euro.

SOLIDIFYING GLOBAL STEPS THROUGH ACQUISITION

Our recent acquisition of the assets in relation to the business of gas chromatograph and gas chromatograph mass spectrometry single-quad products will strengthen our foothold in the Asian, North American and European market, which brings us one step closer towards our vision of a truly global operation.



Mr. Lo Yat Keung (勞逸強) (“Mr. Lo”), aged 56, 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 February 9, 2004. He was re-elected as director on April 30, 2014. 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 46, is the Vice-President and an executive Director. Mr. Chan was appointed to the Board and nominated as Vice-President of the Company on February 9, 2004 and was re-elected as director on April 30, 2012. 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 65, the managing Director of Shanghai Techcomp Instrument and an executive Director. Mr. Xu was appointed to the Board on May 28, 2004 and was re-elected as director on April 30, 2013. 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. Ho Yew Yuen (“Mr. Ho”), aged 71, is one of the independent non-executive Directors. He was appointed to the Board on May 28, 2004 and was re-elected as director on April 30, 2014. He joined Ernst & Young Singapore as an audit trainee in 1961. He was admitted as a partner in 1975 and subsequently became a senior partner of Ernst & Young Singapore until his retirement in 1999. His clients ranged

from large public-listed bluechip 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, and materials supplies and technology. Mr. Ho has also served on the board of another public listed company in Singapore for three years as well as a statutory board in Singapore. He 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 in 1980. Mr. Ho has obtained his Association of Chartered Certified Accountants qualification in the UK in 1966 and his Institute of Chartered Accountant in England and Wales qualification in 1968.

Mr. Seah Kok Khong, Manfred (“Mr. Seah”), aged 53, is the lead independent non-executive Director. He was appointed to the Board in February 14, 2007. Mr. Seah has more than 20 years of investment banking and direct investments experience in Asia. He is presently the Group Chief Financial Officer of SMRT Corporation Ltd.

Prior to SMRT, Mr. Seah served for 10 years as Group Chief Operating Officer of WhiteRock Group - a regional investment group based in Singapore that invested primarily in medical device technologies. From 1996 to 2000, he served as the Founder-CEO of a Philippines based investments and securities firm funded by a major Singapore corporation. Prior to that, Mr. Seah held senior corporate finance positions at two leading investment banks that had conducted corporate finance activities in the Asian region.

Mr. Seah graduated with first honors for his Bachelor of Science degree in Mathematics from the University of London in 1984 and obtained his Master of Business Administration from London Business School in 1992. He is a qualified chartered accountant and has been admitted as a fellow of the Institute of Chartered Accountants in England and Wales.

Mr. Teng Cheong Kwee (“Mr. Teng”), aged 61, is one of the independent non-executive Directors. He was appointed to the Board on May 28, 2004 and was re-elected as director on April 30, 2012. From 1979 to 1989, he was with the Singapore Securities Industry Council Secretariat (“SIC”), initially serving as Assistant Secretary and later as Secretary. SIC is an advisory and consultative body set up to administer the Singapore Code and Take-overs and Mergers in Singapore. From 1985 to 1989, he served concurrently as Assistant Director, and later as Deputy 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 supervision of domestic banks in Singapore. In 1989, he joined the Stock Exchange of Singapore (“SES”) as an Executive Vice President of SGX-ST. He later became an Executive Vice President and Head, Risk Management & Regulatory Division, of the Singapore Exchange (“SGX”) following the merger of the SES and Singapore International Monetary Exchange (“Simex”). Mr. Teng currently also serves as an independent director of several SGX listed companies namely, First Resources Limited, AEI Corporation Limited, Memtech International Limited, StatsChipPac Limited, Junma Tyre Cord Company Limited and AVIC International Maritime Holding Limited. 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 1977.

INNOVATING TOWARDS SUSTAINABLE GROWTH

Despite challenges that will inevitably come in our way, we stride forward with a proactive and prudent approach that will fuel our ability to delivery consistent value innovation for shareholders.



SENIOR MANAGEMENT

Mr. Bao Feng (鮑峰) (“Mr. Bao”), aged 39, is the vice Director of Shanghai Techcomp. He is responsible for overall management of Shanghai Techcomp. Mr. Bao joined Shanghai Techcomp in 2001 and held the positions of Marketing Manager and sales General Manager. Mr. Bao obtained his Bachelor of Machinery from China Textile University in 1998 and a Master of Machinery from Dong Hua University in 2001.

Mr. Fu Shi Jiang (付世江) (“Mr. Fu”), aged 48, is the Chief Executive Officer of Techcomp China. He is responsible for the business development and managing the day-to-day administrative and operational activities of the Company. Mr. Fu joined the Company in February 2012. Prior to this, he held various positions at Agilent Technologies Co., Ltd for the past 16 years of his career, including the Manager of Life Sciences & Chemical Analysis Department (Northern China Region). Mr. Fu obtained his Bachelor of Chemistry from the Northeast Normal University in 1988 and subsequently the Masters in Medicine from the China Medical University.

Mr. Mark Hastings (“Mr. Hastings”), BSc FCCA, aged 44, is the European Finance Director of Techcomp (Europe) Ltd. Prior to joining the Group in 2014, he previously held Finance Director roles with European responsibility in other technology focused companies. He has a Bachelor of Science in Mathematics from the University of Sussex and is a Fellow of the Association of Chartered Certified Accountants.

Mr. Bernard Léguillon (“Mr. Léguillon”), aged 59, is the General Manager of Froilabo and Frilabor SRL, the manufacturing units of temperature controlled equipment. Prior to joining the Group in 2011, Mr. Léguillon was General Manager of Barloworld Scientific France and Italy. He started his career as process control supervisor in the electronic industry rapidly moved to the Laboratory Industry. He has got a Physical Measurement University degree (1978) and a Master in Marketing Management of the distribution network (ESC Paris 1993).

Mr. Li Hong, Don (李宏) (“Mr. Li”), aged 54, is the General Manager of Techcomp (Singapore) Pte Ltd since he joined the Group in 2004. He is in charge of business management and development for the region of South East Asia, and South Asia as well as the Middle East. Mr. Li started his career in China Science Academia. He then joined Bio-rad, a global leader in life sciences, for more than ten years. He obtained a Bachelor of Engineering (Precise Instrumentation) from Tianjin University in 1983.

Mr. Chris O'Connor (“Mr. O'Connor”), aged 48, is the Chief Executive Officer of Techcomp (Europe) Ltd. He is responsible for Froilabo, Precisa and Edinburgh Instruments as well as Dynamica distribution in Europe. Prior to joining the Group in 2011, Mr. O'Connor was Managing Director of Barloworld Scientific. He obtained a MA Hons in Engineering from Cambridge University in 1989.

Prof S. Desmond Smith (“Prof. Smith”), OBE, FRS, FRSE, F.Inst.P, aged 84, is the Chief Scientific Officer (“CSO”) of Techcomp (Holdings) Limited. He is the Founder of Edinburgh Instruments Ltd and currently Founder and Chairman of Edinburgh Biosciences Ltd and past Head of Physics at Heriot-Watt University, Edinburgh where he created a leading research department. He invented the Selective Chopper Radiometer flown on the NASA satellite Nimbus4 as one example of his 220 scientific publications in Spectroscopic Physics and applications. Prof. Smith has been a Fellow of the Royal Society since 1976.

Mr. Sin Sheung Nam, Gilbert (洗尚南) (“Mr. Sin”), aged 41, 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 52, is the Director of Marketing of Techcomp Hong Kong since he joined the company in 1999. He is responsible for the marketing of the Group's products in Hong Kong and PRC. Mr. Tse 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. Mark Vosloo (“Mr. Vosloo”), aged 53, is the CEO of Edinburgh Instruments in the UK. He joined Edinburgh Instruments in 2013 from Oxford Instruments where he held a number of executive and senior commercial role. Prior to that, he held various general manager and senior commercial roles in both the UK and USA within the Photonics and opto-electronics industries including LINOS Photonics and Horiba Jobin Yvon Ltd. He has a combined BA Hons degree in Biochemistry & Chemistry.

SENIOR MANAGEMENT

Mr. Steffen Wander (“Mr. Wander”), aged 50, is the Managing Director of Precisa Gravimetrics AG in Switzerland. He started his career in 1989 at Precisa as a Research and Development engineer. During this time, he has also been responsible for Software Development Product Management and Marketing. Mr. Wander originally completed an apprenticeship as Physic Lab Assistant at the Technical University of Zuerich before obtaining Bachelor Degree of Electronic Engineering.

Mr. Xia Yisheng (夏奕生) (“Mr. Xia”), aged 59, is the Vice President of Techcomp China. He is responsible for operation 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 48, 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 from Chinese Academy of Sciences in 1994, and full-time MBA from State University of New York, USA in 2003.

REPORT ON CORPORATE GOVERNANCE

Introduction

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, 2014 with reference to the principles and guidelines of Singapore’s Code of Corporate Governance 2012 (the “Singapore Code”) and the Corporate Governance Code (the “Hong Kong Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “SEHK”), as well as any deviation from any guidelines of the Hong Kong Code and Singapore Code together with an explanation for such deviation.

Board Matters

Principle 1: Board’s Conduct of its Affairs

The Board effectively leads the Company, working together with the Company’s senior management (the “Management”) to achieve success for the Company and its subsidiaries (collectively, the “Group”). Management remains accountable to the Board.

In addition to its statutory duties, the Board’s principal functions are to:

- (a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the company to meet its objectives;
- (b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and the company’s assets;
- (c) review Management performance;
- (d) identify the key stakeholder groups and recognise that their perceptions affect the company’s reputation;
- (e) set the Company’s values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and
- (f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

No new Directors have been appointed to the Board during the financial year ended December 31, 2014. Newly appointed Directors, if any, will be briefed on the history and business operations and corporate governance practices of the Group. All Directors will, if necessary, be briefed on or memoranda will be circulated to the Directors to update them from time to time on legal or regulatory changes, where such changes have a material bearing on the Company. The Company will issue a formal letter of appointment to new Directors setting out their duties and obligations when they are appointed.

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 Board’s approval is required for transactions or matters such as major investments, corporate restructuring, mergers and acquisitions, material acquisitions or disposal of assets, the release of the Group’s financial results announcements, interested person transactions of a material nature and declaration of dividends.

REPORT ON CORPORATE GOVERNANCE

The Board and sub-committees of the Board (the “Committees”) meet regularly during the year. Ad hoc meetings and/or discussions (including via tele conferencing) are convened when circumstances require. The Company’s bye-laws (the “ByeLaws”) provide for participation at meetings via telephone and other electronic means. Details of the Directors’ attendance at meetings of the Board and Board committee in the financial year ended December 31, 2014 are disclosed as follows:

	Board meetings		AC		NC		RC		Annual General Meeting	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Number of Meetings										
<i>Executive Directors</i>										
Mr. Lo Yat Keung	4	4	4	–	1	–	1	–	1	1
Mr. Chan Wai Shing	4	4	4	–	1	–	1	–	1	–
Mr. Xu Guoping	4	4	4	–	1	–	1	–	1	–
<i>Independent non-executive Directors</i>										
Mr. Ho Yew Yuen	4	4	4	4	1	1	1	1	1	1
Mr. Seah Kok Khong, Manfred	4	4	4	4	1	1	1	1	1	1
Mr. Teng Cheong Kwee	4	4	4	4	1	1	1	1	1	1

Apart from regular Board meetings, the Chairman also held meetings with Independent non-executive Directors without the presence of executive Directors during the year.

Continuing Development of Directors

As part of the programme to enable directors to be familiar with the Group’s operations and activities, the Group would arrange for Directors to visit key sites of operations from time to time. In the financial year ended December 31, 2014, the independent Directors visited the center of the Group’s China manufacturing business in Shanghai to meet the local management and be updated on the latest development in the Company’s operations.

Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Under code provision A.6.5 of the Hong Kong Code, Directors are expected to participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. During the year, the Company’s legal advisers conducted internally facilitated briefings for the Directors and related reading materials on relevant topics were issued to Directors. The Company Secretaries had also dispatched annual updates and briefing notes to all Directors on the Bye-laws and regulations. All Directors are also encouraged to attend relevant training courses at the Company’s expense.

REPORT ON CORPORATE GOVERNANCE

According to the training records maintained by the Company, the training received by each of the Directors during the financial year ended December 31, 2014 is summarized as follows:

Name of Directors	Attending briefing conducted by legal advisers and Company Secretaries on regulations, corporate governance and update on Listing Rules	Attending seminars/ workshops regarding financial, management, business skills and/or director's duties and responsibilities	Reading newspapers, journals and other relevant materials relating to the economy, environmental protection, director's profession, etc.
<i>Executive Directors</i>			
Mr. Lo Yat Keung	✓	✓	✓
Mr. Chan Wai Shing	✓	✓	✓
Mr. Xu Guoping	✓	✓	✓
<i>Independent non-executive Directors</i>			
Mr. Ho Yew Yuen	✓	✓	✓
Mr. Seah Kok Khong, Manfred	✓	✓	✓
Mr. Teng Cheong Kwee	✓	✓	✓

Principle 2: Board Composition and Guidance

As at the date of this report, the Board has six directors (the "Directors"), comprising three executive Directors and three independent non-executive Directors. The criterion for independence is based on the definition given in the Singapore Code and the factors set out in the Listing Rules. The Board considers an Independent Director as one who, inter alia, has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company. The Nomination Committee reviews the independence of each Director annually and applies the Singapore Code's and the Listing Rule's definition on who qualifies as an Independent Director in its review. Mr. Ho Yew Yuen and Mr. Teng Cheong Kwee have served as independent non-executive directors of the Company for more than 10 years. Notwithstanding the tenure of service, the Board considers that Mr. Ho and Mr. Teng continue to be independent and professional as set out in Rule 3.13 of the Listing Rules as they have each continued to demonstrate independent judgment in the discharge of their responsibilities as a director, and they are not connected with any of the Directors, the chief executive or substantial shareholder of the Company.

The composition of our Board complies with the Singapore Code's requirement that at least half of the Board should be made up of independent directors, and the requirements in the Listing Rules that at least three Directors be independent and non-executive (representing at least one-third of the Board) and that at least one of whom must possess appropriate professional qualifications in 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 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 9 of this Annual Report.

Particulars of interests of Directors who held office at the financial year ended December 31, 2014 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 28 of this Annual Report.

REPORT ON CORPORATE GOVERNANCE

Board Diversity Policy

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All board appointment will be made based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board and the contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board is characterized by significant diversity, in terms of nationality, professional background and skills.

Principle 3: Chairman and Chief Executive Officer

Mr. Lo Yat Keung, the controlling shareholder, is the Chairman and the Chief Executive Officer (the “CEO”) of the Company. He plays a vital role in developing the business of the Group and provides leadership and vision to the Group, as well as responsibility for the workings of the Board and ensures that procedures are introduced to comply with the Singapore Code and the Hong Kong Code. Mr. Lo’s concurrent position as Chairman and Chief Executive Officer 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 the 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, the nature of its activities and the stage of the Group’s development, and taking into account the governance structure and practices put in place in the Board, the Board is of the view that it is not necessary to separate the roles of the Chairman and CEO. Three out of the six Directors on our Board are independent non-executive Directors, and each of the three Board Committees is chaired by an independent director and is made up of members who are all independent directors. In addition, the Board has appointed Mr. Seah Kok Khong, Manfred, an independent director, as the Lead Independent Director. In view of this, the Board is of the opinion 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 that the Company’s corporate governance practices are in line with those in both 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.

Mr. Seah Kok Khong, Manfred was appointed as Lead Independent Director on February 28, 2014. The Lead Independent Director shall be available to the shareholders where there are concerns, by which contact through the normal channels of the Executive Chairman and the CEO has failed to resolve or for which such contact is inappropriate. The Lead Independent Director may call for meetings of independent directors from time to time without the presence of other directors and provide feedback to the Chairman after such meetings.

Nominating Committee

Principle 4: Board membership

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.

REPORT ON CORPORATE GOVERNANCE

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 his ability to contribute to the effectiveness of the Board. The NC is also responsible for recommending a framework for evaluation of Board effectiveness, as well as evaluation of the effectiveness of Board Committees and the contribution of each individual Director to the effectiveness of the Board.

The NC carried out its functions, which include 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 the CEO) and make recommendations to the Board regarding 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 recommendation 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 it believes he should be elected and the reasons why it considers him to be independent.
- (vi) To establish procedures for evaluation of 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, 2014, the NC carried out an assessment of the Board performance. In this evaluation, every Director completed a questionnaire to provide his input on the performance and effectiveness of the Board as a whole. The questionnaire considers factors, such as the size and composition of the Board, board processes, access to information, and communications within the Board and between Directors and management and shareholders. The findings were discussed with participation from the executive Directors.

In addition, the NC will have regard to whether a Director has devoted adequate time and attention to the Company, particularly, in the case of Directors with multiple board representations and other principal commitments, as defined in the Singapore Code. The Board does not set a limit on the number of listed board representations which a director may concurrently hold, as the Board is of the view that the more appropriate consideration is whether the directors have been assessed to have devoted sufficient time and attention to the affairs of the Company, and have been carrying out their duties as a Director of the Company. The NC is satisfied that in the financial year ended December 31, 2014, where a Director had other listed company board representations and/or other principal commitments, the Director was able to carry out and had been adequately carrying out his duties as a director of the Company.

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

REPORT ON CORPORATE GOVERNANCE

Under the Bye-Laws, at least one third of the Directors are required to retire from office by rotation and they are eligible for reelection 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 107 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.

Principle 6: Access to 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 non-executive 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 CEO 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 functions, which included the following:

- (i) To recommend to the Board a framework of remuneration for the Board and executive officers; make recommendations to the Board on the remuneration packages for senior management and individual executive directors; such remuneration packages 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.

REPORT ON CORPORATE GOVERNANCE

- (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 executive 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 any payment made 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 recommend to the Board on the appointment of directors whose service contracts shall be disclosed to shareholders under the listing rules of each of the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SEHK.
- (xii) 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.
- (xiii) To report to the Board on the deliberations and recommendations of the RC in discharge of their functions.

The independent non-executive Directors are paid directors' fees. The directors' fee comprises a basic retainer fee, plus additional fees for serving as Chairman or member of a Board Committee, which take into account the responsibilities, efforts and time spent in the discharge of the Director's responsibilities.

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises.

The disclosure on the remuneration of each Director for the financial year ended December 31, 2014 is found on page 87 of the Annual Report.

A breakdown, showing the level and mix of each Director's remuneration for the financial year ended December 31, 2014 is as follows:

Remuneration band	Salary	Fees	Bonus	Other Benefits	Total
	%	%	%	%	%
Less than S\$250,000					
Mr. Lo Yat Keung	86	–	13	1	100
Mr. Chan Wai Shing	79	–	12	9	100
Mr. Xu Guoping	87	–	13	–	100
Mr. Ho Yew Yuen	–	100	–	–	100
Mr. Teng Cheong Kwee	–	100	–	–	100
Mr. Seah Kok Khong, Manfred	–	100	–	–	100

REPORT ON CORPORATE GOVERNANCE

Mr. Xu Guoping is an executive director of the Company. Ms. Xu Song Hua, who is an employee of the Company, and the daughter of Mr. Xu Guoping, draws an annual salary of more than S\$50,000 but below S\$150,000. Further details of Ms. Xu's salary are set out below:

Basic Salary	Bonus	Other Benefits	Total compensation
%	%	%	%
87	13	–	100

Save as disclosed above, the Company does not have any employees who are immediate family members of a Director or the CEO whose remuneration exceeds S\$50,000 in the financial year ended December 31, 2014.

The total remuneration (comprising cash, benefits-in-kind and share-based compensation) paid to the top five key management personnel (who are not directors or the CEO) for the financial year ended December 31, 2014 is S\$1,573,000.

The summary of 5 highest-paid employees' remuneration for the financial year ended December 31, 2014 is as follows:

Remuneration band	Salary [#]	Fees	Bonus	Other Benefits	Total
	%	%	%	%	%
S\$500,000 to S\$749,999					
Mr. Chris O'Connor	63	–	32	5	100
S\$250,000 to S\$499,999					
Mr. Steffen Wander	75	–	19	6	100
Less than S\$250,000					
Mr. Bernard Léguillon	70	–	20	10	100
Mr. Fu Shi Jiang	76	–	17	7	100
Mr. Mark Vosloo	77	–	19	4	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.

The Company has two employee share schemes, the details of which are disclosed in pages 79 to 81 of the financial statements.

As at the date hereof, there are no options granted by the Company which are not in line with the relevant rules of the SGX-ST as set out in Chapter 8 of the SGX-ST Listing Manual.

Accountability and Audit

Principle 10: Accountability

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.

REPORT ON CORPORATE GOVERNANCE

In discharging its responsibility for the financial statements of the Group, the Board ensures that the financial statements are prepared and presented 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 page 33 of this Annual Report.

Principle 11 and 13: Risk management, internal controls and internal audit

Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies.

The Group has in place an Enterprise Risk Management Framework that identifies the key risks that the Group faces, including financial, operational, compliance and information technology risks, as well as the controls and procedures put in place to manage and mitigate such risks. The said Framework has been reviewed and discussed by the AC and the Board of Directors. The AC and the management will continually assess the adequacy and effectiveness of the risk management framework and processes.

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 Company has appointed and commissioned an external professional services firm as internal auditors (the "Internal Auditors") to assist the management in reviewing the Group's internal controls and procedures and assessing the adequacy and effectiveness of the Group's systems of internal controls. The Internal Auditors have carried out their internal audits in accordance with an audit plan approved by 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 interest of the Company.

The Board has received assurance from the CEO and the Financial Controller that (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and (ii) the Company's risk management and internal control system in place are effective.

Based on the risk management review and the internal controls established and maintained by the Group, work performed by the Internal Auditors and the review undertaken by the external auditors, and the aforesaid assurances from the CEO and the Financial Controller, the Board, with the concurrence of the AC, is of the opinion that the system of internal controls is adequate to address the financial, operational and compliance risks, and information technology controls of the Company in its current business environment.

The Board notes that the system of internal controls and risk management established by the Company provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

Principle 12: Audit Committee

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

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

REPORT ON CORPORATE GOVERNANCE

The AC has dealt with the following matters, where relevant, with the executive directors and the external auditors of the Company:

- a) assist the Board in 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.
- e) review the internal audit plan, and the results of the internal audits undertaken by the Internal Auditor;
- f) review the Enterprise Risk Management Framework established, and the key risks identified together with the controls and procedures put in place to manage and mitigate the risks.

The AC has undertaken a review of all the non-audit services provided by Deloitte & Touche LLP during the financial year ended December 31, 2014, 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 reappointment as external auditors of the Company at the forthcoming Annual General Meeting. During the year ended December 31, 2014, the Company has paid an aggregate amount of approximately US\$497,000 (2013: US\$445,000) to the external auditor for its audit services, and has paid non-audit fees of approximately US\$38,000 (2013: US\$38,000) 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 whistle-blowing framework, endorsed by the AC where employees of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions. There were no whistle-blowing reports received during the year and up to the date of this report.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the Hong Kong Code.

Up to the date of this Annual Report, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code for Securities Transactions by Directors of Listed Issuer as set out in Appendix 10 of the Listing Rules (the "Model Code"), and the Company's compliance with the Hong Kong Code and disclosure in this Corporate Governance Report.

REPORT ON CORPORATE GOVERNANCE

Shareholder Rights and Responsibilities

Principle 14: Shareholder rights

Principle 15: Communication with shareholders

Principle 16: 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 understandings 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, half-year and quarter results are released through SGXNET and SEHK announcements and 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. The Board, the Chairpersons of the AC, RC and NC and the Management will be available at the Annual General Meeting 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.

Procedures for shareholders to convene a Special General Meeting ("SGM")

Pursuant to the Companies Act, the Board shall, on the requisition of members of the Company holding not less than one-tenth of the paid-up capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene a SGM.

If within twenty-one days of such requisition, the Board fails to proceed to convene the SGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM, but any meeting so convened shall not be held after three months from the date of the original deposit.

Procedures for putting forward proposals at shareholders' meeting

Shareholders can submit a written requisition to move a resolution at shareholders' meeting. The number of shareholders necessary for a requisition shall represent not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the shareholders' meeting, or who are no less than one hundred shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the shareholders' meeting. It must also be signed by all of the shareholders concerned and be deposited at the Company's office in Hong Kong at 6/F., Mita Centre, 552-566 Castle Peak Road, Kwai Chung, Kowloon, Hong Kong for the attention of the Joint Company Secretaries not less than six weeks before the shareholders' meeting in case of a requisition requiring notice of a resolution and not less than one week before the shareholders' meeting in case of any other requisition.

The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned under applicable laws and rules.

Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong Branch Share Registrar, and they may at any time make a request for the Company's information to the extent that such information is publically available. Shareholders may also make enquiries to the Board by writing to the Joint Company Secretaries at the Company's office in Hong Kong at 6/F., Mita Centre, 552-566 Castle Peak Road, Kwai Chung, Kowloon, Hong Kong.

REPORT ON CORPORATE GOVERNANCE

During the year under review, the Company has not made any changes to its Bye-Laws. An up to date version of the Bye-Laws is available on the Company's website and the SEHK's website. Shareholders may refer to the Bye-Laws for further details of their rights.

Dealing in Company's Securities

The Group adopted the required standards in the Model Code and prohibits the Directors and relevant officers to trade 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 quarterly 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 of the Group.

The Board confirms, having made specific enquiries with all Directors that during the year ended December 31, 2014, all members of the Board have complied with the required standards of the Model Code.

Interested person transactions

During the financial year ended December 31, 2014, there were no interested person 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, 2014.

Use of proceeds from placement of shares

On October 22, 2014, the Group raised approximately US\$10.7 million from placement of new shares of 34,875,000 at the subscription price of HK\$2.4 (equivalent to US\$0.31) per share. On November 1, 2014, total net proceeds of US\$10.7 million (after deducting share issue expenses US\$0.05 million) were used for acquisition of the assets related to the manufacture and sales of GC and GC-SQ-MS products.

Use of proceeds from the placement of warrants

On October 2, 2013, the net proceeds of US\$26,000 from placement of 46,500,000 warrants were raised and were used for the general working capital of the Group including for listing and professional fees. During the financial year ended December 31, 2014, no warrants were exercised and all the warrants expired on October 1, 2014.

REPORT OF THE DIRECTORS

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, 2014.

1 PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are set out in Notes 9 and 11 respectively to the audited consolidated financial statements. There were no significant changes in the nature of the Group’s principal activities during the year.

2 RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 35. No interim dividend was paid during the year. No final dividend was proposed by the Directors in the respect of the year ended December 31, 2014.

3 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. This summary does not form part of the audited consolidated financial statements.

4 PROPERTIES, PLANT AND EQUIPMENT

Details of movements in the properties, plant and equipment of the Group during the year are set out in Note 10 to the audited consolidated financial statements.

5 MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2014, sales to the Group’s five largest customers accounted for approximately 13.8% (2013 : 12.9%) of the total sales for the year and the single largest customer accounted for approximately 5.8% (2013 : 4.2%); purchases from the Group’s five largest suppliers accounted for approximately 46.3% (2013 : 48.1%) of the total purchases for the year and the single largest supplier accounted for approximately 33.1% (2013 : 31.7%).

None of the Directors or any of their associates or any Shareholders (who, to the best knowledge of the Directors, own more than 5% (2013 : 5%) of the Company’s issued share capital) had any beneficial interest in the Group’s five largest customers.

6 SHARE CAPITAL AND SHARE OPTION SCHEMES AND WARRANTS

Details of the movements in the issued share capital of the Company and share option scheme during the year are set out in Notes 21 and 20 respectively to the audited consolidated financial statements.

Holders of the share options 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.

REPORT OF THE DIRECTORS

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 *	–	2,500,000	–	–	2,500,000
Xu Guoping *	–	2,500,000	–	–	2,500,000
Sin Sheung Nam, Gilbert	–	2,020,000	–	–	2,020,000

* Chan Wai Shing and Xu Guoping are the only directors of the Company participating in the 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).

The Share Option Schemes are administered by the Remuneration Committee whose members are:

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

Pursuant to the placing agreement entered into on October 2, 2013, the Company issued 46,500,000 warrants to not less than six placees, who were not connected with the Group, at the placing price at HK\$0.01 per warrant.

No warrants were exercised up to October 1, 2014, which is the date of expiry of the warrants.

7 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.

8 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.

9 DISTRIBUTABLE RESERVES OF THE COMPANY

Details of the movements in the reserves of the Company during the year are set out in Note 22 to the audited consolidated financial statements and in the consolidated statement of changes in equity.

10 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. Mr. Ho Yew Yuen and Mr. Teng Cheong Kwee have served as independent non-executive directors of the Company for more than 10 years.

The Board considers that Mr. Ho and Mr. Teng continue to be independent as set out in Rule 3.13 of the Listing Rules and they are not connected with any of the Directors, chief executive or substantial shareholder of the Company.

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.

11 BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERMENTS

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 9 and 11 to 12. The biographical details do not form part of the audited consolidated financial statements.

12 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.

13 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.

REPORT OF THE DIRECTORS

14 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.

15 DIRECTORS' INTEREST IN SHARES

At December 31, 2014, 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")*

Name of Director	At January 1, 2014 and December 31, 2014			At January 21, 2015		
	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	42.06	104,956,500	7,500,000	42.06
Chan Wai Shing	9,720,000	–	3.64	9,720,000	–	3.64
Xu Guoping	9,870,000	–	3.69	9,870,000	–	3.69
Ho Yew Yuen	300,000	–	0.11	300,000	–	0.11

* Held in the name of his spouse, Yung Yat.

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

Name of Director	At January 1, 2014 and December 31, 2014	At January 21, 2015
	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, 2015.

Save as disclosed above, as at December 31, 2014, 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.

REPORT OF THE DIRECTORS

16 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.

17 SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Please refer to Statistics of Shareholdings set out on pages 100 and 101 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. The shareholdings statistics do not form part of the audited consolidated financial statements.

Save as disclosed in the Statistics of Shareholdings, 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.

18 INTEREST 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 9 to the audited consolidated financial statements.

The Group has entered into the following continuing connected transactions as defined under the Listing Rules. These continuing connected transactions between certain connected parties (as defined in the Listing Rules) and the Group also constituted certain related party transactions as disclosed in Note 9 to the audited consolidated financial statements.

On December 2011, the Company and Techcomp Jingke Trading (Shanghai) Co., Ltd. ("Jingke Trading"), then an associate of the Company, entered into a master supply agreement (the "2011 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 instruments, manufactured or distributed by the Group. The 2011 Master Supply Agreement was for a term commencing from December 1, 2011 and expiring on December 31, 2013.

In January 2014, the Company and Jingke Trading entered into another master supply agreement (the "2014 Master Supply Agreement") with similar terms. The 2014 Master Supply Agreement was for a term commencing from January 1, 2014 and expiring on December 31, 2014. The total amount of sales made to Jingke Trading for the year ended December 31, 2014 under the 2014 Master Supply Agreement amounted to approximately US\$1.3 million (2013:US\$1.9 million).

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 as an associate, the transactions contemplated under the 2011 Master Supply Agreement and 2014 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.

REPORT OF THE DIRECTORS

The Directors (including the independent non-executive Directors) confirm that the supply of the analytical and laboratory instruments under the 2011 Master Supply Agreement and 2014 Master Supply Agreement have 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 2011 Master Supply Agreement and 2014 Master Supply Agreement.

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.

19 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.

20 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 4 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.

REPORT OF THE DIRECTORS

21 EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, on January 22, 2015, the Company granted a total of 2,000,000 share options under the 2011 Share Option Scheme to the eligible persons, subject to acceptance of the grantees. The share options shall entitle the grantees to subscribe for a total of 2,000,000 new ordinary shares of US\$0.05 each in the capital of the Company. On January 23, 2015, the Board approved and the relevant grantees agreed that the grant of a total of 300,000 share options were cancelled with effect from that date in accordance with the terms of the 2011 Share Option Scheme.

22 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Lo Yat Keung
Director

Chan Wai Shing
Director

March 19, 2015

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 34 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, 2014 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 when they fall due.

ON BEHALF OF THE DIRECTORS

Lo Yat Keung
Director

Chan Wai Shing
Director

March 19, 2015

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 consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2014, and the consolidated statement of profit or loss and other 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 information, as set out on pages 34 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 International 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, 2014 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.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

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

March 19, 2015

STATEMENTS OF FINANCIAL POSITION

As at December 31, 2014

	Note	Group		Company	
		2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
ASSETS					
Current assets					
Cash and bank balances	6	16,095	14,682	4	47
Trade and other receivables	7	83,908	78,600	–	–
Inventories	8	38,105	28,402	–	–
Income tax recoverable		68	58	–	–
Amount due from an associate	9	–	2,033	–	–
Total current assets		138,176	123,775	4	47
Non-current assets					
Properties, plant and equipment	10	11,992	13,322	–	–
Subsidiaries	11	–	–	38,630	26,288
Goodwill	12	3,109	3,166	–	–
Other intangible assets	13	4,497	3,891	–	–
Available-for-sale investments	14	944	944	–	–
Deferred tax assets	15	20	67	–	–
Total non-current assets		20,562	21,390	38,630	26,288
Total assets		158,738	145,165	38,634	26,335
LIABILITIES AND EQUITY					
Current liabilities					
Bank borrowings and overdrafts	16	33,284	31,272	–	–
Liabilities for trade bills discounted with recourse	17	5,733	5,042	–	–
Trade and other payables	18	29,389	27,737	14	12
Income tax payable		1,679	1,320	–	–
Total current liabilities		70,085	65,371	14	12
Non-current liabilities					
Bank borrowings	16	8,175	10,283	–	–
Retirement benefit plan liabilities	19	482	–	–	–
Deferred tax liabilities	15	237	290	–	–
Total non-current liabilities		8,894	10,573	–	–
Capital, reserves and non-controlling interests					
Share capital	21	13,369	11,625	13,369	11,625
Reserves	22	66,632	55,554	25,251	14,698
Equity attributable to owners of the Company		80,001	67,179	38,620	26,323
Non-controlling interests		(242)	2,042	–	–
Total equity		79,759	69,221	38,620	26,323
Total liabilities and equity		158,738	145,165	38,634	26,335

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31, 2014

	Note	Group	
		2014 US\$'000	2013 US\$'000
Revenue	23	162,695	166,441
Cost of sales		(112,008)	(116,233)
Gross profit		50,687	50,208
Other operating income and expenses	24	(554)	1,619
Distribution costs		(16,479)	(16,461)
Administrative expenses		(28,911)	(30,217)
Share of results of an associate	9	–	(226)
Finance costs	25	(1,520)	(1,657)
Profit before income tax		3,223	3,266
Income tax expense	26	(387)	(496)
Profit for the year	27	2,836	2,770
Other comprehensive (expense) income:			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Recognition of actuarial loss on defined benefit plans	19	(522)	–
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(327)	916
Share of exchange reserve of an associate	9	–	3
Other comprehensive (expense) income for the year, net of tax		(849)	919
Total comprehensive income for the year		1,987	3,689
Profit for the year attributable to:			
Owners of the Company		3,448	3,700
Non-controlling interests		(612)	(930)
		2,836	2,770
Total comprehensive income attributable to:			
Owners of the Company		2,601	4,506
Non-controlling interests		(614)	(817)
		1,987	3,689
Earnings per share (US cents)			
Basic	30	1.44	1.59
Diluted	30	1.41	1.55

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2014

Group	Note	Share capital US\$'000	Share premium US\$'000	Contributed surplus US\$'000	Merger reserve ^(a) US\$'000	Currency translation reserve US\$'000	Legal reserves ^(b) US\$'000	Capital reserve ^(c) US\$'000	Warrant reserve US\$'000	Share option reserve US\$'000	Equity reserve ^(d) US\$'000	Retained earnings US\$'000	Attributable to owners		Total US\$'000
													Company US\$'000	Non-controlling interests US\$'000	
Balance at January 1, 2013		11,625	8,099	394	(4,112)	3,269	488	3,003	-	1,759	(2,037)	39,916	62,404	2,859	65,263
Total comprehensive income (expense) for the year		-	-	-	-	-	-	-	-	-	-	3,700	3,700	(930)	2,770
Profit for the year		-	-	-	-	806	-	-	-	-	-	-	806	113	919
Other comprehensive income		-	-	-	-	806	-	-	-	-	-	3,700	4,506	(817)	3,689
Transactions with owners, recognised directly in equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payment expense	20	-	-	-	-	-	-	-	-	243	-	-	243	-	243
Placement of warrants	22	-	-	-	-	-	-	-	26	-	-	-	26	-	26
Transfer		-	-	-	-	-	47	-	-	-	-	(47)	-	-	-
Balance at December 31, 2013		11,625	8,099	394	(4,112)	4,075	535	3,003	26	2,002	(2,037)	43,569	67,179	2,042	69,221
Total comprehensive income (expense) for the year		-	-	-	-	-	-	-	-	-	-	3,448	3,448	(612)	2,836
Profit for the year		-	-	-	-	(325)	-	-	-	-	-	(522)	(847)	(2)	(849)
Other comprehensive expense		-	-	-	-	(325)	-	-	-	-	-	2,926	2,601	(614)	1,987
Transactions with owners, recognised directly in equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of shares	21	1,744	8,927	-	-	-	-	-	-	-	-	-	10,671	-	10,671
Effect of acquiring non-controlling interests in a subsidiary		-	-	-	-	-	-	-	-	-	(453)	-	(453)	(1,670)	(2,123)
Share-based payment expense	20	-	-	-	-	-	-	-	-	3	-	-	3	-	3
Expiry of warrants	22	-	-	-	-	-	-	-	(26)	-	-	26	-	-	-
Balance at December 31, 2014		13,369	17,026	394	(4,112)	3,750	535	3,003	-	2,005	(2,490)	46,521	80,001	(242)	79,759

(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, 2014

	Note	Share capital US\$'000	Share premium US\$'000	Contributed surplus US\$'000	Share option reserve US\$'000	Warrant reserve US\$'000	Retained earnings US\$'000	Total US\$'000
		Note 22(a)		Note 22(b)		Note 22(c)		
Company								
Balance at January 1, 2013		11,625	8,099	394	1,759	–	1,679	23,556
Profit for the year, representing total comprehensive income for the year		–	–	–	–	–	2,498	2,498
Transactions with owners, recognised directly in equity								
Share-based payment expense	20	–	–	–	243	–	–	243
Placement of warrants	22	–	–	–	–	26	–	26
Balance at December 31, 2013		11,625	8,099	394	2,002	26	4,177	26,323
Profit for the year, representing total comprehensive income for the year		–	–	–	–	–	1,623	1,623
Transactions with owners, recognised directly in equity								
Issue of shares	21	1,744	8,927	–	–	–	–	10,671
Share-based payment expense	20	–	–	–	3	–	–	3
Expiry of warrants	22	–	–	–	–	(26)	26	–
Balance at December 31, 2014		13,369	17,026	394	2,005	–	5,826	38,620

See accompanying notes to financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Year ended December 31, 2014

	Group	
	2014	2013
	US\$'000	US\$'000
Operating activities		
Profit before income tax	3,223	3,266
Adjustments for:		
Depreciation of properties, plant and equipment	1,801	1,597
Interest income	(25)	(17)
Finance costs	1,520	1,657
Net gain on disposal of properties, plant and equipment	(85)	(8)
Allowance for doubtful debts	863	1,110
Amortisation of intangible assets	1,951	1,828
Share of results of an associate	–	226
Share-based payment expense	3	243
Impairment loss recognised in respect of goodwill	485	297
Gain on deemed disposal of an associate arising from further acquisition	(11)	–
Operating cash flows before movements in working capital	9,725	10,199
Inventories	(10,359)	6,850
Trade and other receivables	(6,102)	(7,985)
Amount due from an associate	2,033	821
Trade and other payables	328	1,474
Trade bills discounted with recourse	691	27
Cash (used in) generated from operations	(3,684)	11,386
PRC Enterprise Income tax paid	(37)	(22)
Tax paid in other jurisdictions	(2)	(2)
Net cash (used in) from operating activities	(3,723)	11,362
Investing activities		
Purchase of technical know-how	(1,813)	–
Purchase of properties, plant and equipment	(1,299)	(1,256)
Product development costs paid	(1,083)	(589)
Proceeds on disposal of properties, plant and equipment	226	95
Net cash inflow (outflow) from acquisition of a subsidiary (Note 31)	34	(4,409)
Interest received	25	17
Acquisition of available-for-sale investments	–	(410)
Net cash used in investing activities	(3,910)	(6,552)
Financing activities		
Repayment of bank borrowings	(91,009)	(94,691)
Interest paid	(1,520)	(1,657)
Acquisition of non-controlling interests in a subsidiary	(623)	–
Proceeds from bank borrowings	91,214	88,069
Proceeds from issue of new shares	10,671	–
Proceeds from placement of warrants	–	26
Net cash from (used in) financing activities	8,733	(8,253)
Net increase (decrease) in cash and cash equivalents	1,100	(3,443)
Cash and cash equivalents at beginning of the year	12,635	15,930
Effect of foreign exchange rate changes	192	148
Cash and cash equivalents at end of the year	13,927	12,635
Cash and cash equivalents comprised:		
Cash and bank balances (Note 6)	16,095	14,682
Bank overdrafts (Note 16)	(2,168)	(2,047)
	13,927	12,635

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

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. Its ultimate controlling shareholder is Mr. Lo Yat Keung who is the chief executive of the Company. 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 11 to the financial statements.

As at December 31, 2014, the Group's current assets and total assets less current liabilities are amounted to US\$68,091,000 (2013 : US\$58,404,000) and US\$88,653,000 (2013 : US\$79,794,000) 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, 2014 were authorised for issue by the Board of Directors on March 19, 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been 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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS - In the current financial year, the Group has adopted a number of the new and revised International Accounting Standards ("IAS"), IFRSs and amendments to 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, 2014.

The adoption of these new/revISED IASs, IFRSs and amendments to IFRS 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 15	Revenue from Contracts with Customers ²
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁴
Amendments to IAS 1	Disclosure Initiative ⁴
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁴
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions ³
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle ⁵
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle ³
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle ⁴
Amendments to IAS 27	Equity Method in Separate Financial Statements ⁴
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception ⁴

- 1 Effective for annual periods beginning on or after January 1, 2018
- 2 Effective for annual periods beginning on or after January 1, 2017
- 3 Effective for annual periods beginning on or after July 1, 2014
- 4 Effective for annual periods beginning on or after January 1, 2016
- 5 Effective for annual periods beginning on or after July 1, 2014, with limited exceptions

The management anticipates that the adoption of the above IASs, IFRSs 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 was amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are 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 reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

In the opinion of the directors, based on the Group's financial instruments as at December 31, 2014, the application of IFRS 9 will affect the classification and measurement of the available-for-sale investment 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. However, it is not practical to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

IFRS 15 Revenue from Contracts with Customers

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The management anticipates that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interest even if this result in the non-controlling interests having a deficit balance.

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

All intra-group transactions, balances, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing of control over the subsidiaries 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 subsidiaries. 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 transferred in a business combination is measured at fair values, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

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

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- 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.

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 ("CGU") expected to benefit from the synergies of the combination. CGUs 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 CGU 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 CGU, 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. 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.

The results and assets and liabilities of associates are incorporated in these consolidated 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.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments.

Financial assets

The Group's financial assets are classified into 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including advances to subsidiaries, an associate, 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.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Interest income is recognised by applying the effective interest rate method, except for short-term receivables where when the effect of discounting 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, and such investments are measured at cost less any identified impairment losses at the end of each reporting period.

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.

Impairment of financial assets

Financial assets 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 affected.

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 certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. 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.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or an equity instrument in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities, including trade and other payables, advance from non-controlling interests, liabilities for trade bills discounted with recourse and bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

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 contracts issued by the Company or group entities are initially measured at their fair value and subsequently measured at the higher of: (i) the amount of the obligation under the contract, as 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

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. 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 recognised as expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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

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

	<u>Depreciation rates</u>	<u>Residual value</u>
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.

An item of properties, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of properties, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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.

The amount initially recognised for development cost is the sum of the expenditure incurred from the date when the cost first meets the recognition criteria listed above. 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.

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.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION - Intangible assets acquired in a business combination are 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 5 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 (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) 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 (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) 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.

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. At the end of each reporting period, the Group revises its estimate of the number of shares expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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-transferability, exercise restrictions and behavioral 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.

Sale of goods

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 Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

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 - All borrowing costs are recognised in profit or loss in the period in which they are incurred.

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 (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed in Hong Kong. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$25,000 for the MPF Scheme. With effect from June 1, 2014, the maximum level of relevant income is amended to HK\$30,000.

The employees of the Group's subsidiaries in Macau, the PRC, France, United Kingdom, United States of America 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.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

For defined benefit retirement plans in Switzerland, the cost of providing benefits is determined using the actuarial valuation method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost and past service cost);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item administrative expenses.

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

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.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the statement of profit or loss and other 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 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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated 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 generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those 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 associated with investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that is probably that there will be sufficient taxable profit against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which 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. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

Current and deferred tax

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity, respectively. Where current and deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the 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 recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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 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.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

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.

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\$3,285,000 (2013 : US\$2,964,000) 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 assets 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\$2,684,000 (2013 : US\$3,891,000) (Note 13). 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.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

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

(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 management 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. During the year December 31, 2014, an impairment loss of US\$485,000 (2013 : US\$297,000) is recognised and information relating to the estimates used in assessing the carrying amounts of goodwill is set out on Note 12.

(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, 2014 and 2013. The carrying amount of inventories is disclosed in Note 8.

(e) Estimated impairment of available-for-sale investments

The Group's available-for-sale investments are stated at cost less impairment. When determining whether available-for-sale investments are impaired, the management estimated the future cash flow to be generated from individual available-for-sale investments and also assessed the use of appropriate discount rates. As at December 31, 2014, the carrying amount of available-for-sale investments is US\$944,000 (2013 : US\$944,000) (Note 14).

(f) Recognition of technical know-how

For the purposes of measuring the technical know-how acquired during the year, management has engaged a professional valuer to assess its fair value. The fair value was calculated based on value in use calculations using the estimated future cash flows expected to arise from the technical know-how and an appropriate discount rate in order to calculate its present value. The carrying amount of the technical know-how is US\$1,813,000 (2013: nil) as at December 31, 2014 (Note 13).

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	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	100,116	92,065	21,353	11,271
Available-for-sale financial assets	944	944	–	–
Financial liabilities				
Liabilities at amortised cost	68,476	68,754	14	12

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

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

(b) Financial risk management policies and objectives

The Group's major financial instruments include available-for-sale investments, trade and other receivables, amount due from 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, cash and bank balances and other payables. The management considers the risks associated with these financial instruments are minimal.

(c) Market risk

(i) Foreign exchange risk

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 Chinese Renminbi. Most of the Group's purchases are made in Japanese Yen, Chinese Renminbi and United States dollars. Expenses incurred are generally denominated in Hong Kong dollars, Chinese 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 Chinese Renminbi and Euro respectively. As a result, the major foreign currency giving rise to this foreign exchange risk is primarily Japanese Yen.

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

	Group			
	Assets		Liabilities	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Japanese Yen	346	608	5,581	18,152
United States dollars	63,483	64,945	2,129	6,435

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.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

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

	Note	2014 US\$'000	2013 US\$'000
Japanese Yen impact	(i)	262	877
United States dollars impact	(ii)	(3,068)	(2,926)

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	2014 US\$'000	2013 US\$'000
Japanese Yen impact	(i)	(262)	(877)
United States dollars impact	(ii)	3,068	2,926

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.

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.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

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

(c) Market risk (cont'd)

(ii) Interest rate risk management (cont'd)

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, 2014 would decrease/increase by US\$173,000 (2013 : decrease/increase by US\$173,000).

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, 2014 would increase/decrease by US\$89,000 (2013 : US\$47,000).

(d) Credit risk

At December 31, 2014 and 2013, 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 guarantees issued by the Company as disclosed in Note 33.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

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

(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.

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.

	Weighted average effective interest rate	← Undiscounted cash flows →			Adjustment	Carrying amount
		On demand or within 1 year	Within 2 to 5 years	After 5 years		
	%	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group						
2014						
Trade and other payables	–	21,284	–	–	–	21,284
Liabilities for trade bills discounted with recourse- non-interest bearing	–	5,733	–	–	–	5,733
Bank borrowings	3.18	33,284	5,763	2,913	(501)	41,459
		60,301	5,763	2,913	(501)	68,476
Group						
2013						
Trade and other payables	–	22,157	–	–	–	22,157
Liabilities for trade bills discounted with recourse- non-interest bearing	–	5,042	–	–	–	5,042
Bank borrowings	4.04	31,369	7,892	3,418	(1,124)	41,555
		58,568	7,892	3,418	(1,124)	68,754

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, 2013, aggregate undiscounted principal amounts of these bank loans amounted to US\$558,000 (2014 : nil). 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\$579,000 (2014 : nil).

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

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

(e) Liquidity risk (cont'd)

Company

The Company has financial liability of US\$14,000 (2013 : US\$12,000) which is repayable on demand and interest free.

The Company provided corporate guarantees of US\$94,712,000 (2013 : US\$96,545,000) 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 one year (2013 : one 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 Group and the Company

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management considers that the carrying amounts of financial assets and liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values because the effect of discounting is immaterial.

(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 16, 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 2014 and 2013.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

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	
	2014	2013
	US\$'000	US\$'000
Short-term benefits	2,546	1,863
Post-employment benefits	156	224
Share-based payments	1	108
	2,703	2,195

6 CASH AND BANK BALANCES

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at bank	15,933	14,540	4	47
Cash on hand	162	142	–	–
	16,095	14,682	4	47

The carrying amounts of these assets approximate their fair values.

Cash and bank balances carry interest at an average rate of 0.25% (2013 : 0.37%) 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	
	2014	2013
	US\$'000	US\$'000
United States dollars	4,897	5,081
Japanese Yen	91	80
Euro	860	389
Swiss franc	173	224

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

7 TRADE AND OTHER RECEIVABLES

	Group	
	2014	2013
	US\$'000	US\$'000
Trade receivables and bills receivables (Note a)	72,192	70,424
Less: Allowance for doubtful debts	(3,285)	(2,964)
	68,907	67,460
Trade bills receivable discounted with recourse (Note 17)	5,733	5,042
Prepayments (Note b)	6,066	3,250
Other receivables (Note c)	3,202	2,848
	83,908	78,600

Notes:

- a) The average credit period on sale of goods ranges from 30 to 90 days (2013 : 30 to 90 days). No interest is charged on outstanding trade receivables during the year.
- b) Prepayments mainly comprise advances to staff for business trips and other prepaid expenses.
- c) Deposits and other receivables mainly represent other tax receivables and deposits paid to suppliers.

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, which approximated the respective revenue recognition date is as follows:

	Group	
	2014	2013
	US\$'000	US\$'000
Less than 90 days	47,853	45,584
91 to 120 days	10,227	6,208
121 to 365 days	6,353	9,534
1 to 2 years	3,654	4,877
Over 2 years	820	1,257
	68,907	67,460

The Group's management closely monitors the credit quality of trade receivables and the 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\$3,042,000 (2013 : US\$2,859,000) 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.

The aging of bills receivable discounted with recourse, based on the invoice date, is less than 90 days (2013 : less than 90 days).

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

7 TRADE AND OTHER RECEIVABLES (CONT'D)

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

	Group	
	2014	2013
	US\$'000	US\$'000
91 to 120 days	18	62
121 to 365 days	349	603
1 to 2 years	1,855	1,790
Over 2 years	820	404
	3,042	2,859

Movement in the allowance for doubtful debts:

Balance at beginning of the year	2,964	2,129
Written off against trade receivables	(542)	(275)
Increase in allowance recognised in profit or loss for the year (Note 27)	863	1,110
Balance at end of the year	3,285	2,964

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

	Group	
	2014	2013
	US\$'000	US\$'000
United States dollars	58,618	59,864
Euro	898	1,530
Pound Sterling	348	734
Japanese Yen	256	528
Swiss Franc	225	366
Chinese Yuan	776	-

8 INVENTORIES

	Group	
	2014	2013
	US\$'000	US\$'000
Raw materials	13,164	8,875
Work-in-progress	7,421	4,191
Finished goods	17,520	15,336
	38,105	28,402

Note: During the year ended December 31, 2014, the Group entered into a sale and purchase agreement for the acquisition of certain assets from an independent third party at a total purchase consideration of approximately US\$12,371,000 of which US\$1,813,000 related to technical knowhow and US\$10,558,000 for inventories.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

9 ASSOCIATE

(A) Interest in an associate

In 2010, the Group 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 (“Jingke Trading”) which the Group and SPSIC had 49% and 51% equity interest respectively. In August 2014, the Group acquired the remaining equity interests in Jingke Trading for a total cash consideration of approximately US\$12,000, at which time control was passed to the Group. The Group recognised a gain on deemed disposal of this associate of approximately US\$11,000 in profit or loss in the year (Note 31(a)).

	Group	
	2014	2013
	US\$'000	US\$'000
Cost of unquoted equity investment	–	779
Share of post-acquisition results	–	(818)
Share of exchange translation reserves	–	39
	–	–

Details of the Group's associate at December 31, 2014 and 2013 are as follows:

Name of associate	Country of incorporation and operation	Proportion of ownership interest held		Principal activity
		2014	2013	
		%	%	
Jingke Trading ⁽¹⁾	PRC	100 ⁽²⁾	49	Trading of analytical and laboratory instruments

(1) Audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, PRC.

(2) In August 2014, the Group acquired the remaining equity interests in Jingke Trading for a total cash consideration of approximately US\$12,000, at which time control was passed to the Group and Jingke Trading became a wholly owned subsidiary of the Group.

Summarised financial information of an associate that is not individually material

Summarised financial information in respect of Jingke Trading for the prior year is set out below. The summarised financial information below represents amounts shown in the Jingke Trading's financial statements prepared in accordance with IFRSs.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

9 ASSOCIATE (CONT'D)

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

Jingke Trading is accounted for using the equity method in these consolidated financial statements.

	2013
	US\$'000
The Group's share of losses	226
The Group's share of other comprehensive income	3
Carrying amount of the Group's interest in Jingke Trading	–
Unrecognised share of loss of Jingke Trading for the year	58
Cumulative share of loss of Jingke Trading	58

(B) Amount due from an associate

At December 31, 2013, the amount due from an associate was trade in nature, unsecured, interest-free and repayable within 90 days.

(C) Transactions with an associate

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

	Group	
	2014	2013
	US\$'000	US\$'000
Sales of goods ^(Note)	1,287	1,862
Purchase of goods	–	9

Note: The amount in 2014 included in the sales of goods to Jingke Trading was up to the date of further acquisition of Jingke Trading in August 2014.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

10 PROPERTIES, PLANT AND EQUIPMENT

Group	Leasehold buildings US\$'000	Furniture and fixtures US\$'000	Machinery and equipment US\$'000	Motor vehicles US\$'000	Total US\$'000
Cost:					
At January 1, 2013	11,366	2,741	5,928	956	20,991
Additions	–	358	827	71	1,256
Acquisition of a subsidiary (Note 31)	60	69	83	–	212
Disposals	–	(1,094)	(499)	(91)	(1,684)
Currency translation difference	282	49	142	25	498
At December 31, 2013	11,708	2,123	6,481	961	21,273
Additions	–	509	537	253	1,299
Acquisition of a subsidiary (Note 31)	–	6	15	12	33
Disposals	–	(293)	(368)	–	(661)
Currency translation difference	(666)	(85)	(271)	(55)	(1,077)
At December 31, 2014	11,042	2,260	6,394	1,171	20,867
Accumulated depreciation:					
At January 1, 2013	2,154	2,140	2,715	752	7,761
Depreciation	428	243	908	18	1,597
Eliminated on disposals	–	(1,077)	(441)	(79)	(1,597)
Currency translation difference	70	31	70	19	190
At December 31, 2013	2,652	1,337	3,252	710	7,951
Depreciation	492	290	926	93	1,801
Eliminated on disposals	–	(261)	(259)	–	(520)
Currency translation difference	(111)	(50)	(174)	(22)	(357)
At December 31, 2014	3,033	1,316	3,745	781	8,875
Carrying amount:					
At December 31, 2014	8,009	944	2,649	390	11,992
At December 31, 2013	9,056	786	3,229	251	13,322

The Group has pledged its leasehold buildings with an aggregate carrying amount of approximately US\$4,699,000 (2013 : US\$5,206,000) to a bank to secure the banking facilities granted to the Group (Note 16).

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

11 SUBSIDIARIES

	Company	
	2014	2013
	US\$'000	US\$'000
Unquoted equity shares, at cost	7,273	7,273
Advances to subsidiaries	21,349	11,224
Deemed investment in subsidiaries arising from financial guarantees given to financial institutions who have granted credit facilities to the subsidiaries (Note 33(b))	10,008	7,791
	38,630	26,288

Note: 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 the carrying amounts recorded approximate their fair values.

Details of the Company's subsidiaries at December 31, 2014 and 2013 are as follows:

Name of subsidiaries	Country of incorporation (or registration) and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held		Principal activity
			2014	2013	
			%	%	
<u>Held by the Company</u>					
Richwell Hightech Systems Inc. ⁽¹⁾	British Virgin Islands	US\$81	100	100	Investment holding
Techcomp Scientific Limited ⁽¹⁾	British Virgin Islands	US\$50,000	100	100	Investment holding
Techcomp Instrument Limited ⁽¹⁾	British Virgin Islands	US\$50,000	100	100	Investment holding
Regent Lite Pte Ltd ⁽⁵⁾	Singapore	SGD1	100	100	Investment holding
Glory Union Investments Ltd ⁽⁶⁾	Hong Kong	HK\$10,000	100	100	Investment holding
Graceful Sky Investments Limited ⁽⁶⁾	Hong Kong	HK\$10,000	100	100	Investment holding
Sunny Time Investments Ltd ⁽⁶⁾	Hong Kong	HK\$10,000	100	100	Investment holding
Silver Grand Holdings Limited ⁽⁶⁾	Hong Kong	HK\$10,000	100	100	Investment holding
Techcomp Europe Limited ⁽⁶⁾	England & Wales	GBP1	100	100	Investment holding

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

11 SUBSIDIARIES (CONT'D)

Name of subsidiaries	Country of incorporation (or registration) and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held		Principal activity
			2014	2013	
			%	%	
<u>Held by Techcomp Scientific Limited</u>					
Bestwit Consultants Ltd ⁽¹⁾	British Virgin Islands	US\$1	100	100	Distributor and insurer of the Group's analytical and laboratory instruments
Bibby Scientific (Asia) Limited ⁽²⁾	Hong Kong	HK\$10,000	100	100	Trading of analytical and laboratory instruments
Dynamic (Asia) Limited ⁽²⁾	Hong Kong	HK\$10,000	100	100	Trading of analytical and laboratory instruments
Techcomp Limited ⁽²⁾	Hong Kong	HK\$10,000	100	100	Trading of analytical and laboratory instruments
Techcomp (China) Limited ⁽³⁾	PRC - wholly foreign-owned enterprise	US\$10,000,000	100	100	Trading of analytical and laboratory instruments
Techcomp (Guangzhou) Ltd. ⁽⁴⁾	PRC - limited liability company	US\$200,000	100	100	International entreport and commercial trade and exhibitions (within Free Trade Zone)
Techcomp (Macao Commercial Offshore) Limited ⁽⁶⁾	Macau	MOP10,000,000	100	100	Trading of analytical and laboratory instruments
Techcomp (Shanghai) Ltd. ⁽³⁾	PRC - wholly foreign-owned enterprise	US\$200,000	100	100	International and entreport trade and commercial consulting service (within Free Trade Zone)
Techcomp (Singapore) Pte Ltd ⁽⁵⁾	Singapore	SGD100,000	100	100	Trading of analytical and laboratory instruments
Techcomp (Tianjin) Ltd ⁽³⁾	PRC - wholly foreign-owned enterprise	US\$1,300,000	100	100	International trade, consultancy and sales of clinical analytical instruments and basic medical testing equipment

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

11 SUBSIDIARIES (CONT'D)

Name of subsidiaries	Country of incorporation (or registration) and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held		Principal activity
			2014	2013	
			%	%	
<u>Held by Techcomp Scientific Limited</u>					
Tiande (Tianjin) Ltd ⁽³⁾	PRC - limited liability company	US\$200,000	100	100	Trading of analytical and laboratory instruments
Well All Consultants Ltd ⁽¹⁾	British Virgin Islands/PRC	US\$1	100	100	Provision of installation and maintenance services
Techcomp India Pvt Ltd ⁽⁶⁾	India	RUPEES500,000	100	100	Trading of analytical and laboratory instruments
Dynamica Scientific Ltd ⁽⁶⁾ (formerly known as Aura Scientific Ltd)	United Kingdom	GBP1	100	100	Trading of analytical and laboratory instruments
<u>Held by Techcomp Instrument Limited</u>					
Dynamica GmbH ⁽⁷⁾	Austria	EURO200,000	100	100	Trading of analytical and laboratory instruments
Shanghai Techcomp Bio-equipment Limited ⁽³⁾	PRC - wholly foreign-owned enterprise	US\$2,000,000	100	100	Manufacturing of analytical and laboratory instruments
Shanghai Techcomp Instrument Ltd. ⁽³⁾	PRC - wholly foreign-owned enterprise	US\$3,350,000	100	100	Manufacturing of analytical and laboratory instruments
Cheetah Scientific Limited ⁽⁶⁾	Hong Kong	HK\$10,000	100	100	Inactive
<u>Held by Richwell Hightech Systems Inc.</u>					
Shanghai Sanco Instrument Co. Ltd ⁽³⁾	PRC - Sino-foreign equity joint venture	US\$350,000	81	81	Manufacturing and trading of analytical and laboratory instruments

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

11 SUBSIDIARIES (CONT'D)

Name of subsidiaries	Country of incorporation (or registration) and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held		Principal activity
			2014	2013	
			%	%	
<u>Held by Regent Lite Pte Ltd</u>					
HCC SAS ⁽⁷⁾	France	EURO2,300,000	100	100	Investment holding
<u>Held by HCC SAS</u>					
Frilabor SRL ⁽⁷⁾	Romania	RON37,500	100	100	Manufacturing and trading of analytical and laboratory instruments
Froilabo SAS ⁽⁷⁾	France	EURO1,000,000	100	100	Manufacturing and trading of analytical and laboratory instruments
<u>Held by Froilabo SAS</u>					
Craponne Tolerie SARL ⁽⁷⁾	France	EURO75,000	100	100	Manufacturing of industrial metallurgy
<u>Held by Glory Union Investments Ltd</u>					
Techcomp Jingke Scientific Instruments (Shanghai) Co. Ltd ("Jingke Scientific") ^{(3) (11)}	PRC - wholly foreign-owned enterprise	RMB40,000,000	100	51	Manufacturing of analytical and laboratory instruments
Jingke Trading ^{(3) (11)}	PRC - wholly foreign-owned enterprise	RMB10,800,000	100	49	Manufacturing of analytical and laboratory instruments
<u>Held by Graceful Sky Investments Limited</u>					
Precisa Gravimetrics AG ("Precisa") ⁽⁷⁾	Switzerland	CHF5,000,000	100	100	Manufacturing of analytical and laboratory instruments
<u>Held by Precisa Gravimetrics AG</u>					
Precisa Gmbh ^{(7) (8)}	Germany	EURO25,000	100	100	Trading of analytical and laboratory instruments

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

11 SUBSIDIARIES (CONT'D)

Name of subsidiaries	Country of incorporation (or registration) and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held		Principal activity
			2014	2013	
			%	%	
<u>Held by Sunny Time Investments Ltd</u>					
Precisa Real Estate AG ⁽⁷⁾	Switzerland	CHF500,000	100	100	Property holding
<u>Held by Silver Grand Holdings Limited</u>					
IXRF Systems Inc. ⁽⁷⁾	United States of America ("USA")	US\$631,000	56	56	Manufacturing and trading of analytical and laboratory instruments
Techcomp-America LLC ⁽⁸⁾	USA	US\$100	99	99	Investment holding
Techcomp (USA) Inc. ⁽⁸⁾⁽⁹⁾	USA	N/A	100	–	Manufacturing and trading of analytical and laboratory instruments
<u>Held by Techcomp Europe Limited</u>					
Edinburgh Instruments Limited ⁽⁷⁾⁽¹⁰⁾	England & Wales	GBP10,000	100	100	Manufacturing and trading of analytical and laboratory instruments
<u>Held by Techcomp-America LLC</u>					
Techcomp-Latino S.A. de C.V. ⁽⁸⁾	Mexico	PESO130,000	100	100	Trading of analytical and laboratory instruments
<u>Held by Dynamica Scientific Ltd</u>					
Precisa Limited ⁽⁸⁾⁽¹⁰⁾	England & Wales	GBP1,000	100	100	Distribution of analytical and laboratory instruments

(1) Audited by Deloitte Touche Tohmatsu, Hong Kong for consolidation purpose only.*
(Not required to be audited in the country of incorporation).

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

(3) Audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, PRC for consolidation purpose only.*

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

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

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

(7) Audited by other auditors.

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

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

11 SUBSIDIARIES (CONT'D)

(9) Incorporated during the year.

(10) Acquired in 2013 (Note 31).

(11) During the year ended December 31, 2014, the Group acquired the remaining interests of Jingke Scientific and Jingke Trading, in which Jingke Trading was previously an associate of the Group (Note 31(a)).

* These are the auditors who conducted the audits 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 Certified Public Accountants Ltd., PRC nor Deloitte Touche Tohmatsu, Hong Kong.

Composition of the Group

Information about the composition of the Group at end of reporting period as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2014	2013
Manufacturing and distribution of analytical and laboratory instruments	PRC (including Hong Kong and Macau)	14 [#]	13 [#]
	Asia (other than PRC)	2	2
	Europe	9	9
	Others	3 [*]	1 [*]

there are two non wholly-owned subsidiaries in PRC

there is one non wholly-owned subsidiary in PRC

* one of the subsidiaries is a non wholly-owned subsidiary

Details of non-wholly owned subsidiaries that have material non-controlling interests

In the opinion of the directors, no summarised financial information is disclosed in respect of the Group subsidiaries that have non-controlling interest because the financial impacts of these subsidiaries are not material to the Group.

Change in Group's ownership interests in subsidiaries

During the year ended December 31, 2014, the Group acquired the remaining interests of Jingke Scientific. The consideration was US\$2,123,000. An amount of US\$1,670,000 has been transferred from non-controlling interests. The difference of US\$453,000 between the decrease in the non-controlling interests and the consideration paid had been transferred to equity reserve.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

12 GOODWILL

	Group	
	2014 US\$'000	2013 US\$'000
Cost:		
At January 1	3,463	1,839
Addition (Note 31)	428	1,624
At December 31	3,891	3,463
Impairment loss:		
At January 1	297	–
Provided for the year	485	297
At December 31	782	297
Carrying amount:		
At December 31	3,109	3,166

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 of US\$512,000 is allocated to the subsidiary group, Richwell Hightech Systems Inc., goodwill of US\$545,000 (net of accumulated impairment loss of US\$782,000) (2013: US\$1,030,000, net of impairment loss of US\$297,000) is allocated to the subsidiary, IXRF Systems Inc., US\$1,624,000 is allocated to the subsidiary, Edinburgh Instruments Limited and US\$428,000 (2013: nil) is allocated to the subsidiary, Jingke Trading.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. During the year ended December 31, 2014, the Group recognised an impairment loss of US\$485,000 (2013: US\$297,000) in relation to goodwill arising from the CGU of IXRF Systems Inc. as a result of a decline in anticipated future cash flows.

The recoverable amounts of the CGU are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period that cash flow forecasts are made. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past experience and expectations of future changes in the market.

For 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 as follows:

	Richwell Hightech Systems Inc.		IXRF Systems Inc.		Edinburgh Instrument Limited		Jingke Trading	
	2014	2013	2014	2013	2014	2013	2014	2013
Discount rate	8%	8%	15%	10%	16.89%	16.89%	10%	n/a
Growth rate	12%	9%	11%	3.5%	3% to 6%	3% to 10%	4.5%	n/a

As at the end of the reporting period, any reasonably possible change to key assumptions applied are not likely to cause the recoverable amount of Richwell Hightech Systems Inc.’s CGU, Edinburgh Instruments Limited and Jingke Trading to fall below the carrying amount of goodwill.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

13 OTHER INTANGIBLE ASSETS

	Development costs	Group Technical know-how	Total
	US\$'000	US\$'000	US\$'000
Cost:			
At January 1, 2013	11,196	74	11,270
Additions	589	–	589
Written off	(22)	–	(22)
Currency translation difference	259	–	259
At December 31, 2013	12,022	74	12,096
Additions (Note)	1,083	1,813	2,896
Written off	(101)	–	(101)
Currency translation difference	(579)	–	(579)
At December 31, 2014	12,425	1,887	14,312
Amortisation:			
At January 1, 2013	6,193	74	6,267
Amortisation for the year	1,828	–	1,828
Written off	(22)	–	(22)
Currency translation difference	132	–	132
At December 31, 2013	8,131	74	8,205
Amortisation for the year	1,951	–	1,951
Written off	(101)	–	(101)
Currency translation difference	(240)	–	(240)
At December 31, 2014	9,741	74	9,815
Carrying amount:			
At December 31, 2014	2,684	1,813	4,497
At December 31, 2013	3,891	–	3,891

Note: During the year ended December 31, 2014, the Group entered into a sale and purchase agreement for the acquisition of certain assets from an independent third party at a total purchase consideration of approximately US\$12,371,000, of which US\$1,813,000 related to technical know-how and US\$10,558,000 for inventories.

Other intangible assets comprise development costs incurred for the manufacture of analytical instruments and payments made to acquire technical know-how. The development costs and technical know-how have finite useful lives and are amortised on a straight line basis over their estimated useful lives of 5 years and 3.75 to 5 years respectively.

Amortisation of US\$1,951,000 (2013 : US\$1,828,000) has been included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

14 AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2014	2013
	US\$'000	US\$'000
At cost		
Unquoted equity shares	450	450
Golf club membership	494	494
	944	944

The above unquoted investment represents investments in unquoted equity shares issued by private entities incorporated in Germany and Australia that are both engaged in manufacture and trading of high technology products. Management is of the opinion that the fair value of these investments cannot be measured reliably because the range of reasonable fair value estimate is so significant. As a result, it is stated at cost less impairment.

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

15 DEFERRED TAX ASSETS (LIABILITIES)

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

	Deferred development costs	Timing differences in tax depreciation	Tax losses	Total
	US\$'000	US\$'000	US\$'000	US\$'000
At January 1, 2013	(330)	46	138	(146)
Credit (Charge) to profit or loss for the year (Note 26)	53	13	(139)	(73)
Currency translation difference	(7)	2	1	(4)
At December 31, 2013	(284)	61	–	(223)
Credit (Charge) to profit or loss for the year (Note 26)	41	(39)	–	2
Currency translation difference	6	(2)	–	4
At December 31, 2014	(237)	20	–	(217)

The following is the analysis of the deferred tax balances:

	Group	
	2014	2013
	US\$'000	US\$'000
Deferred tax assets	20	67
Deferred tax liabilities	(237)	(290)
	(217)	(223)

NOTES TO FINANCIAL STATEMENTS

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15 DEFERRED TAX ASSETS (LIABILITIES) (CONT'D)

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\$1,820,000 (2013 : US\$3,004,000) 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.

16 BANK BORROWINGS AND OVERDRAFTS

	Group	
	2014	2013
	US\$'000	US\$'000
Trust receipt loans	12,322	14,812
Other bank loans	24,009	21,047
Mortgage loan	2,960	3,649
Bank overdrafts	2,168	2,047
	41,459	41,555
Secured (Mortgage loan)	2,960	3,649
Unsecured	38,499	37,906
	41,459	41,555
Carrying value repayable*:		
On demand or within one year	33,284	30,715
Between one to two years	3,240	6,602
Between two to five years	2,275	535
Over five years	2,660	3,145
	41,459	40,997
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)	–	558
	41,459	41,555
Less: Amount due within one year shown under current liabilities	(33,284)	(31,272)
	8,175	10,283

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

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

	Group	
	2014	2013
	US\$'000	US\$'000
Japanese yen	5,582	8,290
United States dollars	3,333	4,730
Pound Sterling	799	–

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

16 BANK BORROWINGS AND OVERDRAFTS (CONT'D)

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 (2013 : twelve months). The average effective interest rates paid were as follows:

	Group	
	2014	2013
	US\$'000	US\$'000
Trust receipt loans	5.5	4.4
Other bank loans	2.8	3.9
Mortgage loan	2.2	1.9
Bank overdrafts	5.5	6.1

The Group has pledged its leasehold buildings with carrying value of US\$4,699,000 (2013 : US\$5,206,000) (Note 10) 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.

17 LIABILITIES FOR TRADE BILLS DISCOUNTED WITH RECOURSE

The following were the Group's financial assets as at December 31, 2014 and 2013 that were transferred to banks by discounting those receivables on full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables. These financial assets are carried at their carrying amounts in the Group's consolidated financial statements and associated liabilities have been recognised and included in liabilities for trade bills discounted with recourse.

	Bill receivables discounted to banks with full recourse	
	2014	2013
	US\$'000	US\$'000
Carrying amount of transferred assets	5,733	5,042
Carrying amount of associated liabilities	5,733	5,042
Net position	-	-

The above liabilities for trade bills discounted with recourse were within one year.

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	
	2014	2013
	US\$'000	US\$'000
United States dollars	3,265	2,524

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

18 TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Trade payables	14,324	16,092	–	–
Accruals	6,726	4,080	–	–
Customer deposits	4,581	4,741	–	–
Other payables (note)	3,758	2,824	14	12
	29,389	27,737	14	12

Note: Included in other payables as at December 31, 2014 is the consideration payables to the former non-controlling interests of Jingke Scientific and Jingke Trading of US\$1,500,000 (2013 : nil). The entire amount was settled in January 2015.

The average credit period on purchases of goods ranges from 30 to 75 days (2013 : 30 to 75 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	
	2014	2013
	US\$'000	US\$'000
Less than 60 days	11,338	12,225
61 to 180 days	1,552	2,359
181 to 365 days	710	688
Over 365 days	724	820
	14,324	16,092

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

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	
	2014	2013
	US\$'000	US\$'000
Japanese Yen	5,650	9,862
United States dollars	1,204	1,705
Euro	29	327
British Pound	–	84
Swiss franc	4	115
Chinese Yuan	54	–
Romanian Leu	102	–

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

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

19 RETIREMENT BENEFIT PLAN

Defined benefit plan

The Group also operates a funded defined benefit plan for qualifying employees. The defined benefit plan is administered by a separate fund that is legally separated from the entity (collective foundation).

The insurance plan is contribution-based. The plan contains a cash balance benefit formula. Under the plan, the collective foundation guarantees the vested benefit amount as confirmed annually to members. Interest may be added to member balances at the discretion of the collective foundation. At retirement date, members have the right to take their retirement benefit as a lump sum, an annuity or part as a lump sum with the balance converted to a fixed annuity at the rates defined in the rules of the collective foundation.

The collective foundation covers all actuarial, investment, interest and salary risks. The collective foundation can adjust risk and cost contributions according to the circumstances. The employer has to cover at least half of all contributions. If the contract is cancelled the employer needs to affiliate to another pension institution.

Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit.

Interest risk

A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at December 31, 2014 by AXA Pension Solutions AG. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the Projected Unit Credit Method.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	2014
Discount rate	1.20%
Expected rate of salary increases	0.50%

The amount recognised in the consolidated statement of financial position in respect of the Group's defined benefit retirement plan is as follows:

	2014
	US\$'000
Present value of funded defined benefit obligations	(9,687)
Fair value of plan assets	9,205
Net liabilities recognised in the consolidated statement of financial position	(482)

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

19 RETIREMENT BENEFIT PLAN (CONT'D)

The current contributions of US\$402,000 for the year is included in profit or loss and the remeasurement of the net defined benefit liability arising from the experience adjustments of US\$522,000 is included in the other comprehensive income.

Movements in the present value of the defined benefit obligations in the current year were as follows:

	2014
	US\$'000
At January 1	8,723
Remeasurement loss:	
Actuarial loss arising from experience adjustments	522
Currency translation difference	442
At December 31	<u>9,687</u>

Movements in the fair value of the plan assets in the current year were as follows:

	2014
	US\$'000
At January 1	8,723
Contributions	402
Return on plan assets	80
At December 31	<u>9,205</u>

Investment of the assets is done by the collective foundation.

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate is 25 basis points lower (higher), the defined benefit obligation would increase by US\$247,000 (decrease by US\$235,000).

If the expected salary growth (decreases) increases by 0.25%, the defined benefit obligation would decrease by US\$6,000 (increase by US\$3,000).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

20 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 recognise 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 optimise 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, 2014 is 21,835,000 (December 31, 2013 : 21,835,000). No further option was granted under the 2004 Share Option Scheme upon the listing of the Company on the SEHK on December 21, 2011.

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 options that are granted under the 2011 Share Option Scheme may have exercise prices that are the higher of 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 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).

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

20 SHARE-BASED PAYMENT (CONT'D)

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; and
- 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 from its adoption date to December 31, 2014.

Particulars on share-based payment arrangements and the outstanding share options granted under the employee share option plan are as follows:

2004 Share Option Scheme

Grant date	Expiry date	Exercisable period	Share options granted at initial date ('000)	Exercise price	Fair value at grant date	Group and Company outstanding share options at January 1, 2013, December 31, 2013 and December 31, 2014
April 15, 2008	April 14, 2018	April 15, 2009 to April 14, 2018	825	S\$0.26	S\$0.14 ⁽¹⁾ S\$0.11 ⁽²⁾	750,000
March 2, 2009	March 1, 2019	March 2, 2010 to March 1, 2019 (Note)	3,855	S\$0.16	S\$0.11 ⁽¹⁾ S\$0.10 ⁽²⁾	3,810,000
May 22, 2009	May 21, 2019	May 22, 2010 to May 21, 2019 (Note)	150	S\$0.16	S\$0.11 ⁽¹⁾ S\$0.10 ⁽²⁾	150,000
January 11, 2010	January 10, 2020	January 11, 2011 to January 10, 2020 (Note)	10,500	S\$0.23	S\$0.16 ⁽¹⁾⁽²⁾	10,350,000
January 6, 2011	January 5, 2021	January 6, 2012 to January 5, 2021 (Note)	6,800	S\$0.42	S\$0.19 ⁽¹⁾ S\$0.18 ⁽²⁾	6,775,000
Total						21,835,000

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

20 SHARE-BASED PAYMENT (CONT'D)

- (1) Senior management
- (2) General management

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.

No share options was granted/exercised/lapsed during the year ended December 31, 2014 and December 31, 2013. The Group recognised total expenses of US\$3,000 (2013 : US\$243,000) related to equity-settled share-based payment during the year ended December 31, 2014.

The number of share options exercisable at the end of the year amounted to 21,835,000 (2013 : 17,092,500). The weighted average exercised price at the end of the year is S\$0.28 (2013 : S\$0.24).

The options outstanding at the end of the year have a weighted average remaining contractual life of approximately 5 years (2013 : 6 years).

21 SHARE CAPITAL

	Group and Company	
	Number of	
	ordinary	
	shares of	
	US\$0.05 each	US\$'000
Authorised	800,000,000	40,000
Issued and paid up:		
At January 1, 2013 and December 31, 2013	232,500,000	11,625
Issue of shares	34,875,000	1,744
At December 31, 2014	267,375,000	13,369

In order to finance the acquisition of the assets (Notes 8 and 13), the Company issued 34,875,000 ordinary shares of US\$0.05 each, for consideration of HK\$2.4 (equivalent to US\$0.3077) per share. Direct issue costs amounted to approximately US\$60,000. The allocation was made on October 22, 2014 to two independent subscribers. The new shares rank pari passu with the then existing shares in all respects.

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

22 RESERVES

	Group and Company
	US\$'000
(a) Share premium:	
Balances at January 1, 2013 and December 31, 2013	8,099
Issue of shares, net of transaction costs	8,927
Balances at December 31, 2014	17,026

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

22 RESERVES (CONT'D)

- (a) Share premium: (cont'd)

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.

	Group and Company
	US\$'000
(b) Contributed surplus:	
Balances at January 1, 2013, December 31, 2013 and December 31, 2014	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.

	US\$'000
(c) Warrant reserve:	
Net proceeds from issue of warrants and the balance at December 31, 2013	26
Expiry of warrants	(26)
At December 31, 2014	-

On October 2, 2013, the Group placed 46,500,000 warrants to not less than six placees, who were not connected with the Group, at the placing price of HK\$0.01 per warrant. The net placing price per Warrant, after deduction of relevant expenses, was approximately HK\$0.0044.

Each Warrant carried the right to subscribe for one Warrant Share at the Subscription Price of HK\$3.00 per Warrant Share (subject to adjustment pursuant to the Instrument), which represented: (i) a premium of approximately 15.8% over the closing price of HK\$2.59 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 16.3% over the average of the closing prices of HK\$2.58 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the Last Trading Day; (iii) a premium of approximately 16.3% over the average of the closing prices of HK\$2.58 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the Last Trading Day.

The proceeds from warrants placement of HK\$203,000 (equivalent to US\$26,000), net of warrant placing expense of HK\$262,000 (equivalent to US\$34,000), were recorded as a component of shareholders' equity in warrant reserve. Any additional proceeds from the issue of the warrant shares upon the exercise of the subscription rights attaching to the warrants in the future up to a maximum amount of approximately HK\$139,500,000 (equivalent to US\$17,885,000) at the subscription price of HK\$3.00 (equivalent to US\$0.38) per warrant will also be applied as the general working capital and as funds for future development of the Group.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

22 RESERVES (CONT'D)

(c) Warrant reserve: (cont'd)

The directors consider that the issue of the Warrants to the placees would attract the requisite funding for general working capital and future development of the Group and would provide the Group with an opportunity to raise further funds when the placees exercise the subscription rights attaching to the Warrants. In view of the above, the directors consider that the Placing is an appropriate method of raising further funds for the Company in the circumstances and that the terms of the Placing Agreement which have been arrived at after arm's length negotiations between the Company and the Placing Agent are fair and reasonable and the Placing Agreement is in the interests of the Company and the Shareholders as a whole.

In 2014, no warrants were exercised. All the warrants expired on October 1, 2014 and the amount of US\$26,000 was reclassified to retained earnings.

23 REVENUE

	Group	
	2014	2013
	US\$'000	US\$'000
Sale of analytical instruments, life science equipment and laboratory instruments	162,695	166,441

24 OTHER OPERATING INCOME AND EXPENSES

	Group	
	2014	2013
	US\$'000	US\$'000
<u>Other operating expenses</u>		
Foreign exchange loss, net	(566)	-
Impairment loss recognised in respect of goodwill	(485)	(297)
	(1,051)	(297)
<u>Other operating income</u>		
Net gain on disposal of properties, plant and equipment	85	8
Interest income on bank deposits	25	17
Gain on deemed disposal of an associate arising from further acquisition	11	-
Foreign exchange gain, net	-	1,428
Sundry income	376	463
	497	1,916
<u>Other operating (expenses) income, net</u>	(554)	1,619

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

25 FINANCE COSTS

	Group	
	2014	2013
	US\$'000	US\$'000
Interest on bank borrowings:		
- wholly repayable within five years	1,450	1,590
- not wholly repayable within five years	70	67
	1,520	1,657

26 INCOME TAX EXPENSE

	Group	
	2014	2013
	US\$'000	US\$'000
Current tax		
- PRC Enterprise Income Tax	23	13
- Others	366	417
	389	430
Under/(over) provision of current tax in prior years		
- PRC Enterprise Income Tax	-	1
- Others	-	(8)
	-	(7)
Deferred tax (credit) expenses (Note 15)	(2)	73
	387	496

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% (2013 : 16.5% and 17%) of the estimated assessable profit for the year respectively. No provision for Hong Kong Profits Tax is made for the current year as the Group does not have any assessment profit arising from Hong Kong for both years.

Withholding tax paid for distributed profit PRC subsidiary is calculated at 10% (2013 : 10%) of the distribution outside PRC.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2013 : 25%).

The Macau subsidiary is currently enjoying tax exemption provided by Decree-Law no. 58/99/M. Under that law, the Macau subsidiary is duly authorised 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.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

26 INCOME TAX EXPENSE (CONT'D)

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

	Group	
	2014	2013
	US\$'000	US\$'000
Profit before income tax	3,223	3,266
Income tax credit at the statutory tax rates of relevant jurisdictions	722	1,023
Non-deductible items	(81)	(12)
Overprovision in prior year	–	7
Deferred tax benefit not recognised	(977)	(1,500)
Others	(51)	(14)
Total income tax expense	(387)	(496)

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

	Group	
	2014	2013
	US\$'000	US\$'000
Amount at beginning of the year	17,712	10,920
Amount arisen in the current year	4,860	8,173
Amount utilised/expired in the current year	(1,291)	(1,381)
Amount at end of the year	21,281	17,712

At the end of the reporting period, the Group has unutilised tax losses of US\$21,281,000 (2013 : US\$17,712,000) available for offsetting against future periods. No deferred tax asset has been recognised for the unutilised tax losses due to the unpredictability of future profit streams. The unrecognised tax losses of US\$17,974,000 (2013 : US\$16,013,000) will gradually expire up to the year 2021 when they will expire fully (2013 : 2020). Other losses can be carried forward indefinitely.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

27 PROFIT FOR THE YEAR

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

	Group	
	2014	2013
	US\$'000	US\$'000
Directors' remuneration	632	654
Employee benefits expense	16,319	16,048
Share based payments (excluding directors)	3	193
Cost of defined contribution plans included in employee benefits expense	3,031	2,880
	19,985	19,775
Costs of inventories recognised as expense	112,008	116,233
Amortisation of intangible assets ⁽¹⁾	1,951	1,828
Allowance for doubtful debts	863	1,110
Depreciation of properties, plant and equipment	1,801	1,597
Net foreign exchange loss (gain)	566	(1,428)
Net gain on disposal of properties, plant and equipment	(85)	(8)
Auditors' remuneration paid to:		
- Auditors of the Company	82	74
- Other auditors	415	371
Non-audit fees paid to:		
- Auditors of the Company	5	5
- Other auditors	33	33
Research costs recognised as an expense	2,917	1,952
Impairment loss recognised in respect of goodwill	485	297

(1) This is included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

28 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments paid to the directors and chief executive of the Company for the year ended December 31, 2014 and 2013 are as follows:

	Group	
	2014	2013
	US\$'000	US\$'000
Directors' emoluments		
- directors' fee	153	153
- basic salaries and allowances	403	392
- bonus	61	45
- share-based payments	-	50
- contributions to retirement benefits scheme	15	14
	632	654

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

28 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONT'D)

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

	Lo Yat Keung	Chan Wai Shing	Xu Guoping	Ho Yew Yuen	Seah Kok Khong, Manfred	Teng Cheong Kwee	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<u>2014</u>							
Director fee	–	–	–	55	49	49	153
Basic salaries and allowances	171	113	119	–	–	–	403
Bonus (Note)	26	17	18	–	–	–	61
Share based payments	–	–	–	–	–	–	–
Contributions to retirement benefit scheme	2	13	–	–	–	–	15
	199	143	137	55	49	49	632

2013

Director fee	–	–	–	55	49	49	153
Basic salaries and allowances	167	110	115	–	–	–	392
Bonus (Note)	19	13	13	–	–	–	45
Share based payments	–	25	25	–	–	–	50
Contributions to retirement benefit scheme	2	12	–	–	–	–	14
	188	160	153	55	49	49	654

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

Mr. Lo Yat Keung is also the Chairman and Chief Executive of the Company, and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

The five highest paid individuals include one (2013 : one) director of the Company for the year ended December 31, 2014, details of whose emoluments are disclosed above. The emoluments of four (2013 : four) highest paid individuals during the year as follows:

	Group	
	2014	2013
	US\$'000	US\$'000
Employees		
- basic salaries and allowances	759	646
- bonus	260	69
- share-based payments	–	25
- contributions to retirement benefits scheme	57	152
	1,076	892

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

28 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONT'D)

The emoluments of the four (2013 : four) highest paid employees above were within following bands:

	2014	2013
	Number of individuals	
HK\$1,000,001 to HK\$1,500,000 (equivalent to US\$128,205 to US\$192,308)	2	2
HK\$1,500,001 to HK\$2,000,000 (equivalent to US\$192,308 to US\$256,410)	1	1
HK\$2,500,001 to HK\$3,000,000 (equivalent to US\$320,513 to US\$384,615)	–	1
HK\$3,500,001 to HK\$4,000,000 (equivalent to US\$448,718 to US\$512,821)	1	–

During the year ended December 31, 2014 and 2013, 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.

29 DIVIDENDS

In respect of year ended December 31, 2014 and 2013, no dividend is proposed by the directors of the Company.

30 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	
	2014	2013
	US\$'000	US\$'000
Profit for the year attributable to owners of the Company	3,448	3,700

	2014	2013
	Number of shares	
	'000	
Weighted average number of ordinary shares for the purpose of basic earnings per share	239,284	232,500

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

30 EARNINGS PER SHARE (CONT'D)

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

	Group	
	2014	2013
	US\$'000	US\$'000
Profit for the year attributable to owners of the Company	3,448	3,700
	Number of shares	
	'000	
Weighted average number of ordinary shares for the purpose of basic earnings per share	239,284	232,500
Add: Effect of dilutive potential ordinary shares relating to outstanding share options issued by the Company	5,541	6,319
Weighted average number of ordinary shares for the purpose of diluted earnings per share	244,825	238,819

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

The calculation of diluted earnings per share for the year ended December 31, 2013 and up to the expiry of the warrant in 2014 did not assume the exercise of the outstanding warrants of the Company because the exercise price of the warrants was higher than the average market price of the shares of the Company for the year ended December 31, 2013 up to the expiry of the warrant in 2014.

31 ACQUISITION OF SUBSIDIARIES

- (a) In August 2014, the Group further acquired 51% equity interest in Jingke Trading from the former majority shareholder at a cash consideration of RMB75,000 (equivalent to approximately US\$12,000). Jingke Trading was an associate of the Group. Upon the completion of the acquisition, Jingke Trading become a wholly owned subsidiary of the Group.

Consideration transferred

	2014
	US\$'000
Cash	12

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 consolidated statement of profit or loss and other comprehensive income.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

31 ACQUISITION OF SUBSIDIARIES (CONT'D)

(a) (cont'd)

Assets acquired and liabilities assumed at the date of acquisition

	2014 US\$'000
Properties, plant and equipment	33
Inventories	438
Trade and other receivables	1,125
Cash and bank balances	46
Trade and other payables	(2,047)
Net assets acquired and liabilities assumed	(405)

The fair value of assets acquired and liabilities assumed approximated the gross contractual amounts.

Goodwill arising on acquisition

	2014 US\$'000
Consideration transferred	12
Fair value of previously held interest in Jingke Trading	11
Net asset acquired and liabilities assumed	405
Goodwill arising on acquisition of a subsidiary	428

Goodwill of US\$428,000 was recognised in the acquisition as the purchase consideration exceeds fair value of the net assets acquired and liabilities assumed.

Goodwill arose in the acquisition of Jingke Trading because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

Net cash outflow on acquisition

	2014 US\$'000
Cash consideration	(12)
Cash and bank balances acquired	46
Net cash inflow from acquisition of a subsidiary	34

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

31 ACQUISITION OF SUBSIDIARIES (CONT'D)

(a) (cont'd)

Impact of acquisition on the results of the Group

In 2014, Jingke Trading contributed US\$1,819,000 to revenue and profit of US\$60,000 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, 2014, total Group revenue for the year would have been US\$166,463,000 and the profit for the year would have been US\$2,625,000.

(b) In February 2013, the Group entered into a sale and purchase agreement for the acquisition of 100% of the issued capital of Edinburgh Instruments Limited at a total purchase consideration of approximately US\$4,860,000.

Consideration transferred

	2013 US\$'000
Cash	4,860

Acquisition-related costs had 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 consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities assumed at the date of acquisition

	2013 US\$'000
Property, plant and equipment	212
Inventories	2,398
Trade and other receivables	2,284
Cash and bank balances	627
Trade and other payables	(2,285)
Net assets acquired and liabilities assumed	3,236

The fair value of assets acquired and liabilities assumed approximated the gross contractual amounts.

Goodwill arising on acquisition

	2013 US\$'000
Consideration transferred	4,860
Net asset acquired and liabilities assumed	(3,236)
Goodwill arising on acquisition of a subsidiary	1,624

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

31 ACQUISITION OF SUBSIDIARIES (CONT'D)

(b) (cont'd)

Goodwill arising on acquisition (cont'd)

In 2013, goodwill of US\$1,624,000 was recognised in the acquisition as the purchase consideration exceeds fair value of the net assets acquired and liabilities assumed.

Goodwill arose in the acquisition of Edinburgh Instruments Limited because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively include amounts in relation to the benefit of expected synergies, revenue growth, and future market development. These benefits are not recognised separately from goodwill because they do not meet recognition criteria for identifiable intangible assets.

Net cash outflow on acquisition

	2013
	US\$'000
Cash consideration	4,860
Cash and bank balances acquired	(627)
Net cash outflow from acquisition of a subsidiary	4,233

Impact of acquisition on the results of the Group

In 2013, Edinburgh Instruments Limited contributed US\$11,911,000 to revenue and profit of US\$1,107,000 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, 2013, total Group revenue for the year would have been US\$168,608,000 and the profit for the year would have been US\$3,171,000.

(c) In January 2013, the Group entered into a sale and purchase agreement for the acquisition of 100% of the issued capital of Precisa Scientific Limited at a total purchase consideration of approximately US\$279,000.

Consideration transferred

	2013
	US\$'000
Cash	279

Acquisition-related costs had 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 consolidated statement of profit or loss and other comprehensive income.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

31 ACQUISITION OF SUBSIDIARIES (CONT'D)

(c) (cont'd)

Assets acquired and liabilities assumed at the date of acquisition

	2013 US\$'000
Inventories	39
Trade and other receivables	137
Cash and bank balances	103
Shareholder loan	(247)
Debt assignment	247
Net assets acquired and liabilities assumed	279

The fair value of assets acquired and liabilities assumed approximated the gross contractual amounts.

No goodwill was recognised in the acquisition as the purchase consideration appropriately equal to fair value of the net assets acquired and liabilities assumed.

Net cash outflow on acquisition

	2013 US\$'000
Cash consideration	279
Cash and bank balances acquired	(103)
Net cash outflow from acquisition of a subsidiary	176

Impact of acquisition on the results of the Group

In 2013, Precisa Scientific Limited contributed US\$578,000 to revenue and loss of US\$16,000 to the Group's profit before tax for the period between the date of acquisition and the end of the reporting period.

There would have been no material impact on the Group's revenue and profit for the year if the acquisition had been completed on January 1, 2013 as the acquisition was completed in the same month.

32 OPERATING LEASE ARRANGEMENTS

The Group as lessee

	Group	
	2014 US\$'000	2013 US\$'000
Minimum lease payments under operating leases recognised as an expense in the year	2,894	2,042

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

32 OPERATING LEASE ARRANGEMENTS (CONT'D)

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

	Group	
	2014	2013
	US\$'000	US\$'000
Within one year	1,544	1,480
In the second to fifth year inclusive	3,535	4,102
After five years	551	647
	5,630	6,229

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 (2013 : 1 to 8 years).

Company

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

33 CONTINGENT LIABILITIES

(a) Group

At December 31, 2014 and 2013, the Group has no contingent liabilities.

(b) Company

The Company provided corporate guarantees of US\$94,712,000 (2013 : US\$96,545,000) 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 11) 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.

34 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 focuses on for the purposes of resource allocation and assessment of segment performance.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

34 SEGMENT INFORMATION (CONT'D)

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.

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

Segment revenues and results

	Distribution US\$'000	Manufacturing US\$'000	Total US\$'000
2014			
Revenue	107,064	55,631	162,695
Results			
Segment results	2,871	341	3,212
Unallocated results			11
Profit before income tax			3,223
Income tax expense			(387)
Profit for the year			2,836
2013			
Revenue	111,900	54,541	166,441
Results			
Segment results	3,093	399	3,492
Unallocated results			(226)
Profit before income tax			3,266
Income tax expense			(496)
Profit for the year			2,770

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 result of associate, gain on disposal of investments carried at fair value through profit or loss 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.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

34 SEGMENT INFORMATION (CONT'D)

Segment assets, liabilities and other information

	Distribution US\$'000	Manufacturing US\$'000	Total US\$'000
2014			
ASSETS			
Segment assets	96,277	61,429	157,706
Unallocated assets			1,032
Consolidated assets			158,738
LIABILITIES			
Segment liabilities	61,000	16,085	77,085
Unallocated liabilities			1,894
Consolidated total liabilities			78,979
OTHER INFORMATION			
Capital expenditure	311	988	1,299
Depreciation and amortisation	1,451	2,301	3,752
Finance costs	1,471	49	1,520
Interest income	(15)	(10)	(25)
2013			
ASSETS			
Segment assets	89,640	52,423	142,063
Unallocated assets			3,102
Consolidated assets			145,165
LIABILITIES			
Segment liabilities	58,981	15,353	74,334
Unallocated liabilities			1,610
Consolidated total liabilities			75,944
OTHER INFORMATION			
Capital expenditure	136	1,921	2,057
Depreciation and amortisation	70	3,355	3,425
Finance costs	1,565	92	1,657
Interest income	(8)	(9)	(17)

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 interest in and amount due from an associate (Note 9), available-for-sale investments (Note 14), deferred tax assets (Note 15) 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. and IXRF Systems Inc. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

34 SEGMENT INFORMATION (CONT'D)

All liabilities are allocated to reportable segments other than income tax payable, deferred tax liabilities (Note 15).

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, France, Switzerland and United Kingdom.

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

	Group	
	2014	2013
	US\$'000	US\$'000
PRC (including Hong Kong and Macau) (country of domicile)	119,241	122,460
United Kingdom	10,484	12,755
Switzerland	8,529	7,696
France	5,497	6,081
Indonesia	4,897	4,240
India	2,819	3,515
Other ⁽¹⁾	11,228	9,694
Total	162,695	166,441

(1) The geographic segment classified as "Others" include Singapore, the United States of America (the "USA"), Africa and Australia.

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	
	2014	2013
	US\$'000	US\$'000
PRC (including Hong Kong and Macau) (country of domicile)	9,140	9,890
United Kingdom	440	1,904
Switzerland	5,047	6,033
France	1,715	1,166
USA	3,240	1,346
Other ⁽²⁾	16	40
Total	19,598	20,379

(2) The geographic segment classified as "Others" include 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 2014 and 2013.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

35 EVENT AFTER REPORTING

Subsequent to the reporting period, on January 22, 2015, the Company granted a total of 2,000,000 share options under the 2011 Share Option Scheme to the eligible persons, subject to acceptance of the grantees. The share options shall entitle the grantees to subscribe for a total of 2,000,000 new ordinary shares of US\$0.05 each in the capital of the Company. On January 23, 2015, the Board approved and the relevant grantees agreed that the grant of a total of 300,000 share options were cancelled with effect from that date in accordance with the terms of the 2011 Share Option Scheme.

FINANCIAL SUMMARY

	Year ended December 31,				
	2010	2011	2012	2013	2014
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
RESULTS					
Revenue	127,090	154,102	157,670	166,441	162,695
Profit before taxation	10,800	8,634	2,878	3,266	3,223
Income tax expense	(585)	(356)	(359)	(496)	(387)
Profit for the year	10,215	8,278	2,519	2,770	2,836
Non-controlling interests	289	121	675	930	612
Profit for the year attributable to owners of the Company	10,504	8,399	3,194	3,700	3,448
ASSETS AND LIABILITIES					
Total assets	107,408	127,929	141,657	145,165	158,738
Total liabilities	(49,877)	(61,943)	(76,394)	(75,944)	(78,979)
Balance of shareholders' funds	57,531	65,986	65,263	69,221	79,759

STATISTICS OF SHAREHOLDINGS

March 10, 2015

Issued and fully paid-up	-	US\$13,368,750
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 – 99	3	0.53	38	0.00
100 – 1,000	43	7.60	26,512	0.01
1,001 - 10,000	251	44.35	964,950	0.36
10,001 - 1,000,000	261	46.11	15,849,250	5.93
1,000,001 and above	8	1.41	250,534,250	93.70
	566	100.00	267,375,000	100.00

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	HKSCC Nominees Limited	171,174,500	64.02
2	Lo Yat Keung	41,833,500	15.65
3	HSBC (Singapore) Nominees Pte Ltd	12,741,000	4.77
4	Xu Guo Ping	9,870,000	3.69
5	Yung Yat	7,500,000	2.81
6	DBS Vickers Securities (S) Pte Ltd	5,390,250	2.02
7	Morgan Stanley Asia (S) Securities Pte Ltd	2,025,000	0.76
8	Wang Meng	750,000	0.28
9	DBS Nominees Pte Ltd	509,000	0.19
10	Jonathan Chadwick	500,000	0.19
11	Seow Ho Peng	450,000	0.17
12	Chan Wai Shing	420,000	0.16
13	ABN Amro Clearing Bank N.V.	418,500	0.16
14	Ang Kok Kiong	302,000	0.11
15	Beng Hui Holding (S) Pte Ltd	300,000	0.11
16	Citibank Consumer Nominees Pte Ltd	300,000	0.11
17	Ho Yew Yuen	300,000	0.11
18	OCBC Securities Pte Ltd	259,500	0.10
19	Lee Chan Moi Karen	254,000	0.09
20	Maybank Kim Eng Securities Pte Ltd	241,500	0.09
		255,538,750	95.59

Shareholdings Held in Hands of Public

Based on information available to the Company as at March 10, 2015, 28.87% 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 is complied with.

STATISTICS OF SHAREHOLDINGS

March 10, 2015

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Direct Interest		Deemed Interest	
	No. of Shares	% of total issued shares	No. of Shares	% of total issued shares
Lo Yat Keung	104,956,500 ^[1]	39.25	7,500,000 ^[2]	2.81
Kabouter Fund I QP LLC	14,659,829	5.48	–	–
Kabouter Management, LLC	–	–	29,729,352 ^[3]	11.12
KCH Investment Company Limited	28,105,648	10.51	–	–
Guo Bing	–	–	28,105,648 ^[4]	10.51

[1] Direct interest includes 58,125,000 shares and 4,998,000 shares held through HKSCC Nominees Limited 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 the 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 Kabouter Fund III (managed by Kabouter Management, LLC).

[4] Mr Guo Bing is deemed to be interested in the shares held by KCH Investment Company Limited, which is wholly-owned by Mr Guo Bing.



天美

Techcomp (Holdings) Limited
天美(控股)有限公司*

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

Tel: 852-2751 9488

Fax: 852-2751 9477

Email: techcomp@techcomp.com.hk

Website: www.techcomp.com.hk