

## A LEADING SCIENTIFIC EQUIPMENT INTEGRATED SOLUTIONS PROVIDER



Annual Report  
**2005**

**We have the  
right chemistry for  
continuous growth**





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## CORPORATE PROFILE

Founded in 1988. 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.

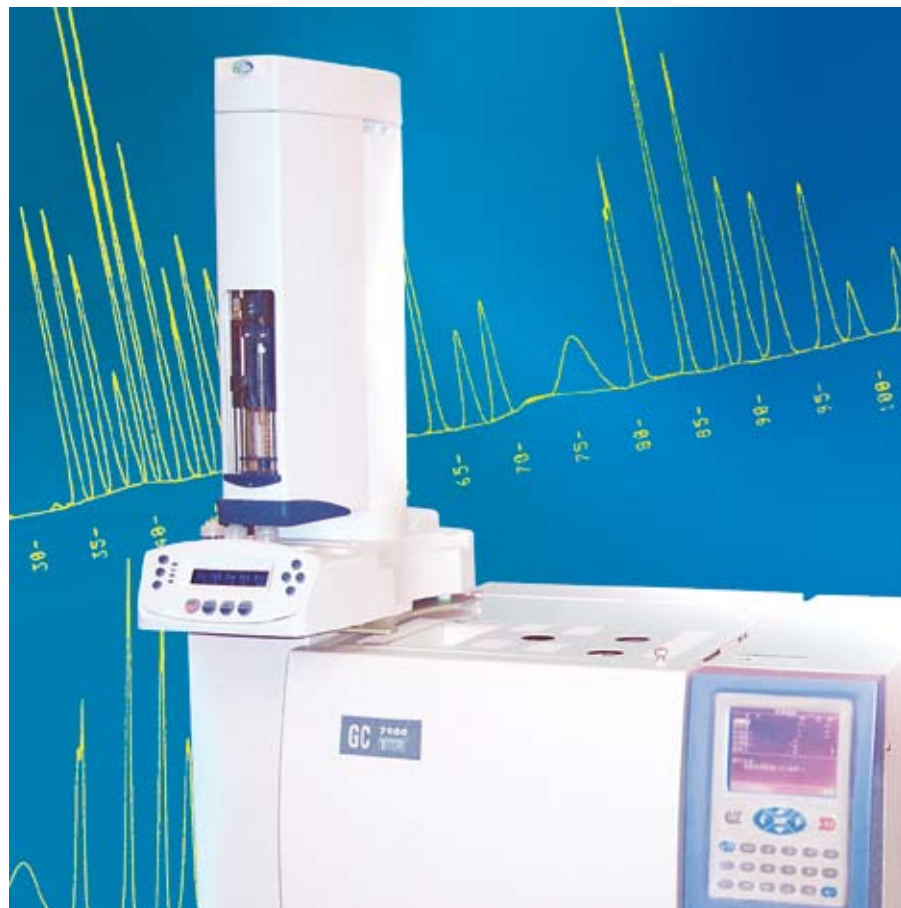
### MANUFACTURING

- Designs, manufactures, sells and services UV-Vis spectrophotometers, gas chromatographs, ion chromatographs, atomic absorption spectrophotometers and centrifuges for a broad range of chemical analysis and life science applications
- Develops and manufactures various instruments under house brand “Techcomp”
- Develops and manufactures analytical and life science instruments for other companies on original design manufacture (“ODM”), original equipment manufacture (“OEM”) and private label basis
- Manufacturing facility in Shanghai
- Various technological partnerships and alliances with well established manufacturers to develop scientific equipment
- Dedicated Research and Development (“R&D”) team
- Contributed 17.0% of revenue and 40.6% of profit before tax in FY2005

### 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 and 11 liaison offices in the PRC. Product is also distributed via our distribution network to South East Asia, South Asia, Australia and Middle East region
- Able to provide integrated solutions and turnkey laboratories to customers due to its strong technical capabilities as well as extensive product range
- Contributed 83.0% of revenue and accounted for 59.4% of profit before tax in FY2005

# State of the Art Scientific Equipment





## MESSAGE TO SHAREHOLDERS

### *Dear Shareholders,*

2005 was a year of achievements for the Group in various aspects. Resulting from our further expansion of our sales and service team, we had a satisfactory growth in purchase orders placed by our PRC customers. We also made inroads in market penetration outside China. In the manufacturing business, we saw increasing recognition for our proprietary brand, and successfully launched five new Techcomp models this year. All this translated financially to record Group revenues of US\$44.6 million for FY2005.

Sales of our laboratory instruments were boosted by the increasing attention that Asia's two major and rapidly developing economies – PRC and India – place on healthcare and disease control. We successfully secured sizable orders to upgrade laboratory facilities for the Center for Disease Control in PRC. Our turnkey laboratory was also very well received in India, enabling us to deepen our penetration into the Asian market. We believe that this emphasis on the general standard of health and hygiene in Asia coupled with the potential threat of infectious diseases such as bird flu is a driving factor for continued sales growth in the Group's range of scientific and analytical equipment as well.

Our original design manufacturing projects secured in 2004 are progressing on schedule and we expect commercial production to commence by the first half of FY2006. Riding on the global wave of outsourcing from multi-national companies and backed by our strong R&D capability, we secured a contract with CIPHERGEN Biosystems Inc (NASDAQ: CIPHE) to develop, manufacture and distribute high tech life sciences research products on their behalf.

### FINANCIAL HIGHLIGHTS

The Group's revenue broke our previous record by 6.4%, increasing to US\$44.6 million in FY2005, compared to US\$41.9 million in the previous year. In anticipation of higher demand in PRC in the coming years, we invested in manpower and in expansion of our distribution network during FY2005. Despite this, we were able to maintain absolute net profits levels at US\$3.7 million for the year. Gross profit margin further improved from 31.0% to 33.5% in FY2005.

The Group also improved its balance sheet with net debt to equity ratio falling to 0.2 times as at 31 December 2005 compared to 0.4 times as at 31 December 2004.

### SHAREHOLDER RETURNS AND DIVIDENDS

To share the fruits of our success with shareholders, the Board of Directors is pleased to recommend a first and final cash dividend of ONE Singapore cent per share, amounting to a dividend payout of approximately 22.6% of Group net earnings, compared to 34.9% for FY2004. As we anticipate an increasing demand in the PRC for our products including our Techcomp brand products, and obtaining more OEM contracts in FY2006, we plan to increase capital expenditure for our manufacturing facility and equipment in the year ahead. Accordingly, we have recommended a lower dividend for FY2005 with the aim of channeling the balance monies to internal funding purposes.

### MAJOR CONTRACTS AND NEW MARKETS

Following a contract to construct a turnkey laboratory for India's government, we secured two other orders with an aggregate value of approximately US\$810,000 for the delivery of turnkey laboratories in India. These turnkey laboratories are for use in studies on infectious diseases.

We are also in advanced stages of negotiations with a few research institutes for our turnkey laboratories and are



## MESSAGE TO SHAREHOLDERS

The Group's revenue broke our previous record by 6.4%, increasing to US\$44.6 million in FY2005, compared to US\$41.9 million in previous year.

confident of winning more orders in the region. During November 2005, the Group also secured more than US\$5 million worth of orders in public healthcare projects, supplying a range of scientific and analytical equipment and instruments such as biological safety cabinets and centrifuges for the improvement of the laboratory facilities at the Center for Disease Control in PRC.

### NEW PRODUCT LAUNCHES

We launched five new models for scientific and analytical instruments in FY2005. Our new product models like High Performance Liquid Chromatograph and Gas Chromatograph launched during the year have been well received. The Group will continue to launch new products in FY2006 to maintain growth momentum.

### FY2006 OUTLOOK

We expect the PRC market to continue to be an important contributor to our revenue growth in FY2006. In addition, our market expansion in Asian markets outside PRC and Middle East is also expected to contribute to revenue growth for all segments in FY2006. In our manufacturing segment, in addition to launching more new product models in FY2006, the Group anticipates obtaining more OEM contracts and therefore has planned to expand the manufacturing facility to meet the need for increased production capability.

On the home front, we expect demand for advanced scientific and analytical equipment will start to surge in our main market, PRC. The PRC market, excluding Hong Kong, contributed 80.2% to FY2005 Group revenues. The investments which we have made in FY2005 – of

expanding and grooming a highly specialized team of scientific equipment sales consultants as well as in the setting up of more sales offices – will enable us to ride on the wave of PRC's rapid socio-economic development in the coming years. This investment is necessary as we plan to secure more OEM projects as well as roll out new and exciting products for FY2006.

The Group is also in the process of negotiating on a number of product development and manufacturing projects. In the distribution business, discussion with business partners in strengthening our distribution products portfolio and geographic coverage is also in the pipeline. The Group's goal is to promote the exchange of technological expertise, expand the geographical distribution network of our principals and strengthen our Techcomp brand on the global scientific and analytical instrument market.

### ACKNOWLEDGMENTS

Last but not least, I must take this opportunity to express my gratitude to all our staff, management, directors, customers, principals, suppliers, shareholders and other business associates for contributing in one way or another to Techcomp's success in 2005. We look forward to your continuing support in the coming year.

**LO YAT KEUNG**  
PRESIDENT







## BOARD OF DIRECTORS

### MR. LO YAT KEUNG

is our President and the founder of our Group. He is responsible for the overall management and operations of our Group and for charting and reviewing our corporate directions and strategies. Mr Lo worked as a sales engineer with Eurotherm (Far East), Ltd from 1981 to 1982 and with the Institute of Pathology as a laboratory technician from 1983 to 1984. Prior to founding our Group, he was a product manager with Ekpac Ltd from 1986 to 1988 where he supervised the life science instruments division. Ekpac Ltd is principally engaged in the business of sourcing, marketing and distributing industrial equipment mainly in China.

With over 20 years of experience in the life science research and equipment industry, he has been instrumental in the growth of our Group. Mr Lo graduated with a Bachelor of Science from The Chinese University of Hong Kong in 1981 and obtained a Masters in Business Administration from the same university in 1986.

### MR. CHAN WAI SHING

is our Vice-President and Group Executive Director, responsible for the overall distribution operations in the company of our group. Prior to joining our Company, he worked as an executive officer with the Hong Kong Government from June 1990 to October 1990. He joined our Company in November 1990 as a product specialist. In 1992, he was promoted to sales manager before being appointed to his current position in July 1996. Mr. Chan obtained a Bachelor of Science from The Chinese University of Hong Kong in 1990.

### MR. XU GUOPING

is our Group Executive Director and Managing Director of Techcomp (Shanghai) Manufacturing, responsible for overall manufacturing business of our group. Mr Xu joined our Group in 1994. From 1968 to 1979, he worked as a supervisor in Shanghai Magnetic and Steel Ltd. He was subsequently promoted to head its publicity division in 1973. From 1979 to 1994 he held various posts in the publicity, production and business administration departments in Shanghai Analytical Instrument Factory. 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. He also graduated from the Shanghai Economic Administrative Cadre Institute's Cadre Training Course in 1993.





## BOARD OF DIRECTORS

### MR. CHEN BIN

was appointed to the Board on 28 May 2004. From November 1968 to June 1975, he worked as a plant manager at Shanghai Analysing Instrument Factory. From July 1975 to September 1977, he was a factory manager at Shanghai No. 4 Ammeter Factory where he was in charge of the operations of the entire factory. From October 1977 to February 1985, he worked at the Shanghai Analysing Instrument Factory as a function manager where he was in charge of human resources and employee education. Mr Chen has been a political and legal reporter with the Jiefang Daily Group since March 1985. Mr Chen obtained an advanced diploma in Chinese Studies from the Shanghai Jin'an District Amateurish College.

### MR. HO YEW YUEN

was appointed to the Board on 28 May 2004. He was a senior partner of Ernst & Young, Singapore until his retirement in 1999, after nearly 40 years service with the firm. During his term in office, Mr Ho served as Audit and Client Services partner, Head of Audit Services, Head of Administration, and Technical partner. He is currently an associate of the firm as well as a director of his own private consultancy company in Singapore. Mr Ho also serves as a member of the National Parks Board, Singapore and is a director of its wholly-owned subsidiary, Singapore Garden City Pte Ltd.

Mr Ho obtained his Institute Of Chartered Accountants In England And Wales qualification in 1969 and his Association Of Chartered Certified Accountants qualification in 1966. He is a fellow member of both the English accountancy bodies and a member of the Institute Of Certified Public Accountants Of Singapore.

### MR. TENG CHEONG KWEE

was appointed to the Board on 28 May 2004. From 1979 to 1989, he worked with the Singapore Securities Industry Council Secretariat as an assistant secretary before subsequently assuming the post of Secretary. In 1985, Mr Teng was appointed Assistant Director of the Banking and Financial Institutions Department of the Monetary Authority of Singapore before being appointed to the post of Deputy Director in 1988. From 1989 to 1999, he worked as Executive Vice President with the then Stock Exchange of Singapore.

In 2000, he was appointed Head of Risk Management & Regulatory Division of the Singapore Exchange Securities Trading Ltd. He holds directorships in several private and public companies and is currently an Executive Director of Pheim Asset Management (Asia) Pte Ltd. Mr Teng obtained a Bachelor of Engineering (Industrial) and a Bachelor of Commerce from the University of Newcastle, New South Wales, Australia in 1997.

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## KEY EXECUTIVE OFFICERS

### MR. LI HONG DON

is the General Manager of Techcomp (Singapore) Pte Ltd and is in charge of business management and development for the region of South East Asia, and South Asia as well as the Middle East. After graduating from Tianjin University with a major in Precision Instruments, he started his career in China's science academia. He then joined Bio-rad, a global leader in life sciences, for more than ten years. With more than fifteen years of exposure to the distribution business for scientific instruments globally, he owns remarkable experience in the full spectrum of the various aspects in the business.

### MR. NGAN HON WING

is the Sales and Services Manager of our Hong Kong office and is responsible for the overall sales and services operation of the Hong Kong market. Prior to joining us in 2002, Mr Ngan worked as an accounts manager in Beckman Instruments (Hong Kong) Ltd. from 1982 to 1994. From 1994 to 2000, he migrated to Canada to set up his own restaurant business. In 2001, he joined JDH (Hong Kong) Ltd. as a sales manager. The principal activities of JDH (Hong Kong) Ltd. include the distribution of food and non-food products to major supermarkets and convenience chain stores in Hong Kong. Mr Ngan obtained a Higher Diploma in Mechanical and Marine Engineering from Hong Kong Polytechnic in 1981 and a Master of Business Administration from Andrews University in 1992.

### MR. SIN SHEUNG NAM GILBERT

is our Financial Controller and is responsible for the overall accounting function of the Group. He is also the Company Secretary of the Company. Prior to joining us in 2003, Mr. Sin worked in one of the big four international accounting firms for five years and was an audit manager when he left the firm. 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 Society of Accountants.

## KEY EXECUTIVE OFFICERS

### MR. TSE PO WAH

is our Director of Marketing and is responsible for the marketing of our products. Prior to joining us in 1998, Mr Tse worked as a sales executive with American Express HK Ltd from 1985 to 1986, and as a sales representative in 3M Far East Ltd from 1986 to 1987. He was with Beckman Instruments (Hong Kong) Ltd from 1987 to 1998. He obtained a Bachelor of Science from the University of Hong Kong in 1985 and a Diploma of Business Management from The Chinese University of Hong Kong in 1990.

### MR. WANG MENG

is the General Manager of Techcomp (Tianjin) Ltd and is responsible for its management and day-to-day operations. From 1977 to 1982, he was the secretary of the Corps Committee of Northwest Guo Mian Wu Factory. In 1982, he joined the Shaanxi Province Wei Tong Zhan Bu as a director branch member, before being promoted to assistant chief officer. Prior to joining the Company's Xi'an liaison office in 1995 as its general manager, he was the assistant chief secretary of the Shaanxi Province Organisational Reform Committee. He was appointed to his present position in 1999. Mr Wang specialised in Chinese literature at the Shaanxi Province Broadcast Television University from 1980 to 1982 and in Dang Zheng Management at the Shaanxi Province Wei Dang Xiao from 1983 to 1985.

### MR. XIA YISHENG

is the General Manager of Techcomp (Guangzhou) Ltd and is responsible for its management and day-to-day operations. From 1988 to 1993, Mr Xia was a lecturer with the Chongqing Teachers' University. Mr Xia joined our 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 1998. 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.





## FINANCIAL AND OPERATIONAL REVIEW

A better indicator of our growth is our order book increase of 42.1% from about US\$9.5 million as at end of FY2004 to about US\$13.5 million as at end of FY2005.

The Group's revenue for the year ended December 31, 2005 increased year-on-year by 6.4% to US\$44.6 million, mainly due to our penetration of Asian markets outside the PRC. FY2005 revenue from India at US\$1.3 million was 18.7 times that of FY2004, while FY2005 revenue from non-core markets including Europe, the United States, the Middle East, South Asia excluding India, Southeast Asia and Australia at US\$3.4 million was 2.5 times that of FY2004.

During FY2005, we saw satisfactory growth in purchase orders from the PRC, our largest market which accounted for 80.2% of Group revenue, despite a slight year-on-year decline in revenue contribution of 0.2% being reported. A significant number of orders from the PRC were received during our year-end peak season and could not be fulfilled until after the year end. This is the main reason Group net earnings remaining unchanged from FY2004 even though our business has grown during the year. A better indicator of our growth is our order book increase of 42.1 % from US\$9.5 million as at end of FY2004 to US\$13.5 million as at end of FY2005.

### SECTOR REVENUE CONTRIBUTION

Our manufacturing business continued to grow, benefiting from the expansion of our sales and marketing team in PRC and our distribution networks established in other Asian countries. Revenue from manufacturing increased by 12.2% from US\$6.8 million in FY2004 to US\$7.6 million in FY2005.

Revenue from our distribution business increased by 5.3% from US\$35.2 million in FY2004 to US\$37.0 million in FY2005 mainly due to our successfully penetration of Asian markets. This not only improved the Group's distribution revenue but also improved sales of our in-house manufactured Techcomp products.

Gross profit margins increased from 31.0% to 33.5% in FY2005 as a result of growth in our manufacturing segment, better prices negotiated with suppliers and a more favorable exchange rate during FY2005.

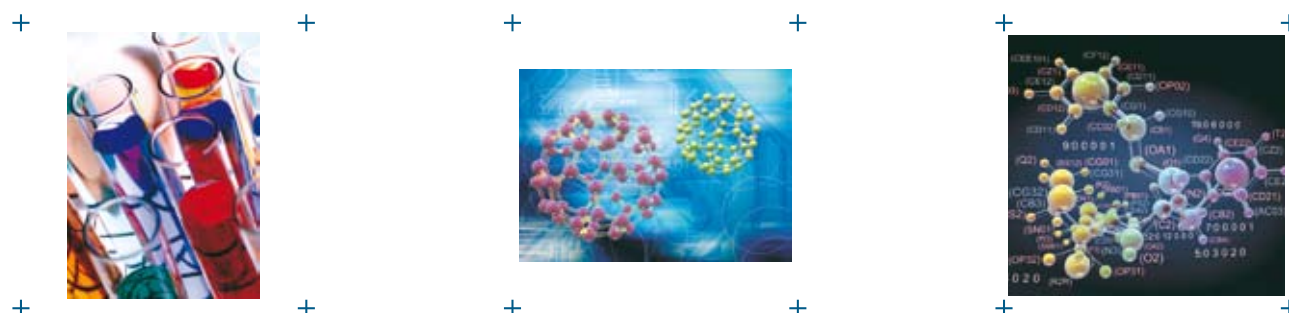
### EXPANSION ACTIVITIES

During the year, we expanded our sales and service team in anticipation of the continued growth in the PRC and to enhance our after-sales services to customers. Our sales and marketing team for servicing customers in Asian countries outside the PRC was also reinforced during the year. As a result, distribution costs increased year-on-year by 24.2% to US\$5.2 million.

To improve our distribution network, we expanded our offices in the PRC, Hong Kong and Singapore. As a result, administrative expenses increased by 27.0% to US\$5.8 million, mainly attributable to an increase in general office expenses.

### BALANCE SHEET ACTIVITIES

In line with our revenue growth, trade receivables, prepayments and other receivables increased by 10.2%





## FINANCIAL AND OPERATIONAL REVIEW

to US\$17.7 million. Inventories increased by 16.3% to US\$7.5 million to meet delivery requirements of our increased sales orders received toward the end of FY2005.

During FY2005, we launched 5 new Techcomp models for scientific and analytical equipment with technologically enhanced features. Capitalisation of product development costs for our new products doubled our intangible assets to US\$0.8 million in FY2005.

Trade and other payables increased by 48.4% to US\$7.5 million. This was mainly due to an increase in trade payables of US\$3.1 million as a result of more favorable payment terms secured from vendors.

Bank borrowings decreased by 35.5% to US\$6.5 million due mainly to the repayment of certain bank loans during the year. As a result, our net debt to equity ratio fell from 0.2 times as at 31 December 2005 compared to 0.4 times as at 31 December 2004. Cash and bank balances decreased by 28.2% to US\$2.8 million due to the repayment of bank borrowings as well as the payment of dividends during the year. Overall, there was a net decrease in cash due to the repayment of bank borrowings by US\$3.6 million and dividend paid of US\$1.3 million. This was partially offset by the net cash generated from operations of US\$4.7 million in FY2005.

### DISTRIBUTION BUSINESS

The PRC market will continue to be an important contributor to our revenue growth. We saw satisfactory growth in purchase orders from the PRC. We were commissioned to upgrade laboratory facilities for the Center for Disease Control in the PRC in November 2005 and this order will be fulfilled in FY2006.

We will continue expansion of our distribution network in India, Middle East and Asia outside the PRC and Hong Kong. We intend to build on our successful delivery of our first turnkey laboratory for India's Centre for Cellular and Molecular Biology to secure more of such contracts.

With the outbreak of contagious diseases such as bird flu in Asia, we expect more of such orders in the year ahead.

### MANUFACTURING BUSINESS

As part of our marketing strategy, the Group will continue to launch new products in FY2006 to maintain growth momentum.

With our reputation in research and development, the Group anticipates securing more Original Equipment Manufacturing contracts.

In view of the above, we plan to expand our manufacturing facility and upgrade our equipment to match the need for an increased production capability. The PRC will remain as our cost effective manufacturing base. With our advanced technological collaterals in skilled labor resources and patents, we will bring the reputation of our Techcomp brand, which is already established in the PRC as a cost-effective solutions provider for quality scientific and analytical equipment, to the global market.

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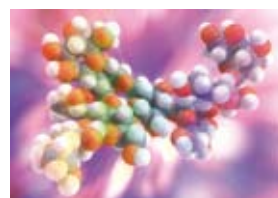
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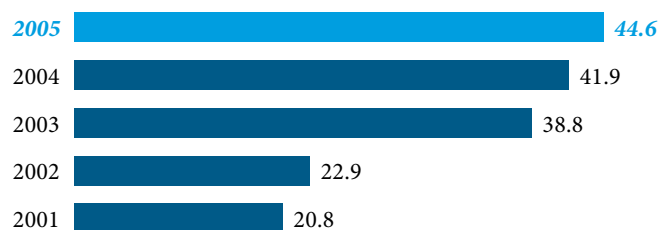


## FINANCIAL HIGHLIGHTS

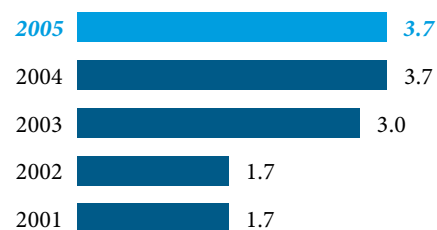
### SUMMARISED PROFIT & LOSS ACCOUNT (IN US\$ '000)

YEAR	2001	2002	2003	2004	2005
Revenue	20,768	22,851	38,752	41,917	44,617
Gross profit	6,359	7,593	11,119	13,007	14,949
Profit before tax	1,805	1,983	3,569	4,081	4,066
Profit after tax	1,667	1,675	2,991	3,667	3,687
Earnings per share (US cents)	1.67	1.68	2.99	3.15	2.73

### GROUP REVENUE (US\$MILLION)



### NET PROFIT (US\$MILLION)



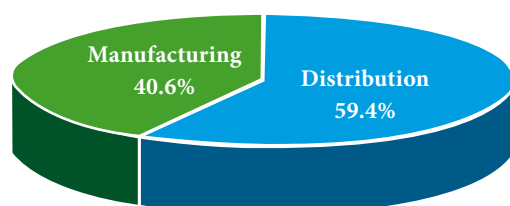
### SEGMENT REVENUE (US\$MILLION)



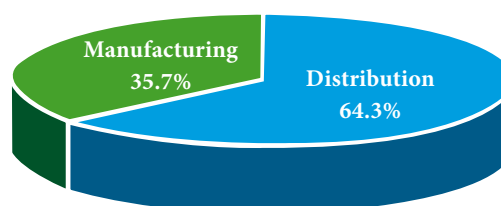
In 2005, Distribution Revenue increased by 5.3%, Manufacturing Revenue increased by 12.2%, Total Revenue increased by 6.4%.

### PROFIT BEFORE TAX

By Business Segment



FY2005



FY2004

## REPORT ON CORPORATE GOVERNANCE

The Directors recognize the importance of corporate governance and the need to maintain high standards of accountability to the shareholders of the company, and support the principles and spirit of the Code of Corporate Governance (the “Code”) issued by the Corporate Governance Committee. The Group continues to update and refine its policies and practices so as to achieve this goal.

This report outlines the Company’s corporate governance practices with reference to the Code.

### Board Matters

#### Principle 1: Effective Board to Lead and Control the Company

The Board comprises six directors, three of whom are non-executive and independent. Members of the Board comprise professionals and entrepreneurs with considerable industry experience. Profiles of the Directors are found on page 6 of this Annual Report. Collectively, the Board possesses the core competencies and diversity of experience that are necessary to enable it to effectively lead and manage the Company.

The Board holds at least two formal meetings a year, with additional meetings for particular matters convened as and when necessary. During the year, two board meetings were held. Apart from its statutory responsibilities, the Board approves the Group’s key business and strategic plans, major investments and funding decisions, reviews financial performance including approval of the annual and interim results, approves the nomination of directors, reviews the adequacy and integrity of internal control, and assumes responsibility for corporate governance.

To facilitate the attendance and participation of directors at Board meetings, the Company’s Bye-Laws provide for participation at meetings via telephone and other electronic means.

To assist in the execution of its responsibilities, the Board has formed three committees namely, an Audit Committee, a Remuneration Committee and a Nominating Committee. These committees function within defined terms of references, which are reviewed regularly. The effectiveness of each committee is also constantly monitored.

#### Principle 2: Strong and independent Element on the Board

The independence of each director is reviewed annually by the Nominating Committee (“NC”). The NC adopts the Code’s definition of what constitutes an independent director in its review.

The NC is of the view that the current board size of six directors is appropriate, taking into account the nature and scope of the business and operations of the Group.

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

Mr. Lo Yat Keung, the controlling shareholder, is the Chairman and Chief Executive Officer. He plays a vital role in developing the business of the Group and has provided leadership and vision to the Group. Given the size of the Company’s current business operations and nature of its activities, the Board is of the view that it is not necessary to separate the roles of the Chairman and Chief Executive Officer. Given that three out of six directors are independent directors, and that each of the three Board Committees is chaired by an independent director and has at least a majority of independent directors, the Board is of the view that there is an adequate balance of power and authority within the Board.

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.





## REPORT ON CORPORATE GOVERNANCE

### Nominating Committee

Principle 4: Formal and Transparent Process for Appointment of New Directors

Principle 5: Board Performance

The Nominating Committee comprises 2 independent directors (including the Chairman) and 1 executive director as at the date of this report, namely:

Mr. Teng Cheong Kwee (Chairman)

Mr. Ho Yew Yuen

Mr. Chan Wai Shing

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

The NC conducted an exercise to evaluate the Board's performance in the FY2005. The objective of the exercise was to identify and prioritize areas for continuous improvement to the Board's effectiveness. The NC's findings were presented to and discussed within the Board.

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

Under the Company's Bye-Laws, at least one third of the Company's directors are required to retire from office at every Annual General Meeting of the Company. Each Director must retire from office at least once every three years. A retiring Director is eligible and may be nominated for re-election. Two directors, Messrs Chan Wai Shing and Ho Yew Yuen will be retiring by rotation at the forthcoming Annual General Meeting. The Board approved the NC's recommendation that they be nominated for re-election at the forthcoming Annual General Meeting.

### Access to information

Principle 6: Board Members to have Complete, Adequate and Timely Information

The Board has separate and independent access to 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 can, in consultation with the Chairman, seek professional advice if it is required and the cost of such advice will be borne by the Company.

Mr. Sin Sheung Nam Gilbert, one of the Company Secretaries, attends all Board meetings and is responsible for ensuring that Board procedures are followed. Mr. Sin Sheng Nam Gilbert, 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.

## REPORT ON CORPORATE GOVERNANCE

### Remuneration Matters

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

The Remuneration Committee ("RC") comprises 2 independent directors (including the Chairman) and 1 executive director as at the date of this report, namely:

Mr. Teng Cheong Kwee (Chairman)  
Mr. Ho Yew Yuen  
Mr. Lo Yat Keung

Under the Code of Corporate Governance 2005, all members of the RC should be non-executive and a majority of whom, including the Chairman, should be independent. Therefore, Mr. Lo Yat Keung, our executive director, had indicated that he would resign as member of the RC after the coming Annual General Meeting. The Board will be appointing a new RC member to take the place of Mr Lo.

The RC is guided by its Terms of Reference, which set out its responsibilities. The RC met three times during the year. A key responsibility of the RC is to recommend to the Board a framework for the remuneration of directors and key executives. The remuneration of the executive directors are set out in the separate service agreements entered into with each of the executive directors at the time of the Company's listing in 2004. The service contracts set out, among other things, the salaries payable to the executive directors, as well as a performance based variable bonus. During the year, the RC recommended to the Board a framework for the determination of the variable bonus of the executive directors.

The service agreements with the executive directors are for a period of three years commencing January 26, 2004. The remuneration package, which may include fixed and variable components, long term incentives such as share option plans and retirement benefits, and benefits in kind, will be reviewed by the Board in consultation with the RC at the expiration of the service agreements.

A breakdown, showing the level and mix of each director's remuneration for the financial year ended December 31, 2005 is as follows:

Remuneration band	Salary %	Fees %	Bonus %	Other Benefits %	Total %
<b>Less than S\$250,000</b>					
Lo Yat Keung	100	–	–	–	100
Chan Wai Shing	100	–	–	–	100
Xu Guoping	100	–	–	–	100
Chen Bin	–	100	–	–	100
Ho Yew Yuen	–	100	–	–	100
Teng Cheong Kwee	–	100	–	–	100

The Company does not have any employees who are immediate family members of a director or the Chief Executive Officer whose remuneration exceeds S\$150,000 in the financial year ended December, 31 2005.



## REPORT ON CORPORATE GOVERNANCE

The summary of 5 highest-paid employees' remuneration for the financial year ended December 31, 2005 is as follows:

Remuneration band	Salary %	Fees %	Bonus %	Other Benefits %	Total %
<b>Less than S\$250,000</b>					
Leung Kai Chung Tony	100	–	–	–	100
Ngan Hon Wing	100	–	–	–	100
Sin Sheung Nam Gilbert	100	–	–	–	100
Tse Po Wah	100	–	–	–	100
Li Hon Don	100	–	–	–	100

# The salary amount shown is inclusive of pension costs.

\* Leung Kai Chung Tony has resigned from the Group on February 15, 2006.

### Accountability and Audit

#### Principle 10: Accountability and Audit

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

### Audit Committee

#### Principle 11: Audit Committee

The Audit Committee ("AC") comprises 2 independent directors (including the Chairman) and 1 executive director as at the date of this report, namely:

Mr. Ho Yew Yuen (Chairman)  
Mr. Teng Cheong Kwee  
Mr. Xu Guoping

Although Mr. Xu Guoping is an executive director of the Company, the Board is of the opinion that Mr. Xu's operational input will be useful to the AC. Mr. Xu's membership does not impair the independence and effectiveness of the AC.

However, under the Code of Corporate Governance 2005, all members of the AC should be non-executive and a majority of whom, including the Chairman, should be independent. Therefore, Mr. Xu Guoping, our executive director, had indicated that he would resign as member of the AC after the coming Annual General Meeting. The Board will be appointing a new AC member to take the place of Mr Xu.

The AC met 3 times during the year and has reviewed the following, where relevant, with the executive directors and the external auditors of the Company:

- (i) the audit plans and results of the external auditors' examination of the financial statements and evaluation of the Group's systems of internal accounting controls;
- (ii) the Group's financial and operating results and accounting policies;
- (iii) the financial statements of the Company, the consolidated financial statements of the Group and the external auditors' report on those financial statements before their submission to the directors of the Company;

## REPORT ON CORPORATE GOVERNANCE

- (iv) the announcements as well as the related press releases on the results of the Group and financial position of the Company and of the Group;
- (v) the co-operation and assistance given by the management to the external auditors; and
- (vi) the review of the external auditors' independence, and recommendation on their re-appointment as the external auditors of the Company.

The AC has undertaken a review of all the non-audit services provided by Deloitte & Touche during the financial year ended December 31, 2005, and is satisfied that such services would not, in the AC's opinion, affect the independence of Deloitte & Touche as the Company's external auditors. The AC has recommended to the Board that Deloitte & Touche be re-nominated for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting.

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 officers to attend its meetings. The AC also met with the external auditors, without the presence of the Management during the year.

### Internal Controls

#### Principle 12: Internal Controls

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

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.

### Internal audit

#### Principle 13: Internal audit

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

### Communication with Shareholders

#### Principle 14: Communication with Shareholders

#### Principle 15: Greater Participation by Shareholders

The Company engages in regular, effective and fair communication with shareholders, and has appointed an investor relation firm to advise on and facilitate this process. The Company sees the merits of holding briefings for investors and analysts as a means to promote better understanding of the Company's business and operations. However, it does so without compromising the principle of fair and equitable disclosure. Price sensitive announcements including annual and half-year results are released through SGXNET.

All shareholders of the Company will be sent a copy of the annual report and notice of AGM. At AGM, the Board and the Management will be available at the meeting to answer questions that shareholders may have concerning the Company.



## REPORT ON CORPORATE GOVERNANCE

### Dealing in Company's Securities

The Company has issued a policy on dealings in the securities of the Company to directors and relevant officers of the Group, setting out the implications of insider trading and the recommendations of the Best Practice Guide as formulated by the SGX. In line with the Best Practice Guide on Dealing in Securities, the Company Secretary issues circulars to directors and relevant officers informing that the Company and its officers must not deal in listed securities of the Company one month before the release of the annual and half-year results, and if they are in possession of unpublished material price-sensitive information.

### Interested person transactions

During the financial year ended December 31, 2005, there were no interested party transactions. When a potential conflict of interest arises, the director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

The Audit Committee will review all interested person transactions to be entered to ensure that the relevant rules under Chapter 9 of the SGX-ST Listing Manual are complied with.

### Material Contracts

There are 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, 2005.

### Risk Management

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 financial risk management objectives and policies are outlined in the financial statements.



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# REPORT OF THE DIRECTORS

The directors present their report together with the audited consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for the financial year ended December 31, 2005.

## 1 DIRECTORS

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

Lo Yat Keung  
 Chan Wai Shing  
 Xu Guoping  
 Chen Bin  
 Ho Yew Yuen  
 Teng Cheong Kwee

## 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company except as follows:

Name of directors and Company in which interests are held	Shareholdings registered in name of director and immediate family		
	At beginning of year	At end of year	At January 21, 2006
<u>Techcomp (Holdings) Limited</u>			<u>Ordinary shares of US\$0.05 each</u>
Lo Yat Keung			
– direct	74,990,000	70,339,000	70,339,000
– deemed	5,000,000	5,000,000	5,000,000
Chan Wai Shing			
– direct	6,480,000	6,480,000	6,480,000
Xu Guoping			
– direct	6,580,000	6,580,000	6,580,000
Chen Bin			
– direct	50,000	50,000	50,000
Ho Yew Yuen			
– direct	100,000	200,000	200,000



## REPORT OF THE DIRECTORS

### 4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements.

### 5 SHARE OPTIONS

#### (a) Options to take up unissued shares

On May 28, 2004, the Company adopted the Techcomp Employee Share Option Scheme ("Scheme"). The purpose of the Scheme is to provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty.

The Scheme is administered by the Remuneration Committee whose members are:

Teng Cheong Kwee  
Ho Yew Yuen  
Lo Yat Keung

The size of the Scheme shall not exceed 15% of the issued ordinary share capital of the Company. The options that are granted under the Scheme may have exercise prices that are set at a price equal to the average of the last dealt prices for the shares determined by reference to the daily official list or other publication published by the SGX-ST for a period of five consecutive market days immediately preceding the relevant date of grant of such options or at a discount to the above-mentioned price (subject to a maximum discount of 20%).

Directors (including non-executive directors and independent directors) and employees of the Group, are eligible to participate in the Scheme. Controlling shareholders and their associates are not eligible to participate in the 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 Scheme shall be in force up to a maximum period of 10 years from the date on which the Scheme was adopted and may be continued beyond the stipulated period with the approval of shareholders by way of ordinary resolution in general meeting and of such relevant authorities which may then be required.

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

During the financial year, no options were granted under the Scheme.

#### (b) Option exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

#### (c) Unissued shares under option

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under options.



## REPORT OF THE DIRECTORS

### 6 AUDIT COMMITTEE

The Audit Committee of the Company is chaired by Ho Yew Yuen, an independent director, and includes Teng Cheong Kwee, an independent director and Xu Guoping, an executive director. The Audit Committee met three times since the last Annual General Meeting (“AGM”) and has reviewed the following with the executive directors and external auditors of the Company:

- (a) the audit plans and results of the external auditors’ examination and evaluation of the Group’s systems of internal accounting controls;
- (b) the Group’s financial and operating results and accounting policies;
- (c) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and the external auditors’ report on those financial statements;
- (d) the half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;
- (e) the co-operation and assistance given by the management to the Group’s external auditors; and
- (f) the re-appointment of the external auditors of the Group.

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 for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

### 7 AUDITORS

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

ON BEHALF OF THE DIRECTORS

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Lo Yat Keung

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Chan Wai Shing

March 29, 2006

## STATEMENT OF DIRECTORS

In the opinion of the directors, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company as set out on pages 25 to 58 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, 2005 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE DIRECTORS

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Lo Yat Keung

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Chan Wai Shing

March 29, 2006



## AUDITORS' REPORT

to the Members of Techcomp (Holdings) Limited

We have audited the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of Techcomp (Holdings) Limited for the financial year ended December 31, 2005 set out on pages 25 to 58. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the International Financial Reporting Standards 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, 2005 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Deloitte & Touche  
Certified Public Accountants  
Singapore

Wong-Yeo Siew Eng  
Partner  
Appointed on March 23, 2004

March 29, 2006

# BALANCE SHEETS

December 31, 2005

	Note	Group		Company	
		2005 US\$'000	2004 US\$'000	2005 US\$'000	2004 US\$'000
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and bank balances	6	2,848	3,967	–	–
Trade receivables and other receivables	7	17,679	16,038	1,000	1,400
Prepaid lease payment	8	4	4	–	–
Inventories	9	7,495	6,444	–	–
Income tax recoverable		144	157	–	–
Total current assets		28,170	26,610	1,000	1,400
<b>Non-current assets:</b>					
Properties, plant and equipment	10	3,882	3,904	–	–
Subsidiaries	11	–	–	12,344	12,369
Prepaid lease payment	8	158	158	–	–
Deposits paid for acquisition of properties, plant and equipment		–	363	–	–
Intangible assets	12	754	383	–	–
Available-for-sale investment	13	40	–	–	–
Deferred tax assets	14	12	–	–	–
Total non-current assets		4,846	4,808	12,344	12,369
<b>Total assets</b>		<b>33,016</b>	<b>31,418</b>	<b>13,344</b>	<b>13,769</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>Current liabilities:</b>					
Bank overdrafts and loans	15	5,942	9,219	–	–
Trade and other payables	16	7,546	5,085	–	6
Derivative financial instruments	17	134	–	–	–
Income tax payable		256	218	–	–
Total current liabilities		13,878	14,522	–	6
<b>Non-current liability:</b>					
Bank loans	15	528	809	–	–
<b>Capital and reserves:</b>					
Share capital	18	6,750	6,750	6,750	6,750
Reserves		11,860	9,337	6,594	7,013
Total equity		18,610	16,087	13,344	13,763
<b>Total liabilities and shareholders' equity</b>		<b>33,016</b>	<b>31,418</b>	<b>13,344</b>	<b>13,769</b>

See accompanying notes to financial statements.



## CONSOLIDATED PROFIT AND LOSS STATEMENT

Year ended December 31, 2005

	Note	Group	
		2005 US\$'000	2004 US\$'000
<b>Revenue</b>	20	44,617	41,917
<b>Cost of sales</b>		(29,668)	(28,910)
<b>Gross profit</b>		14,949	13,007
Other operating income	21	542	391
Distribution costs		(5,196)	(4,185)
Administrative expenses		(5,816)	(4,578)
Finance costs	22	(413)	(554)
<b>Profit before income tax</b>		4,066	4,081
Income tax expense	23	(379)	(404)
<b>Profit for the year</b>	24	3,687	3,677
<b>Earnings per share (U.S. cents)</b>	25	2.73	3.15

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2005

	Share capital US\$'000	Share premium US\$'000	Contributed surplus US\$'000	Merger reserve US\$'000	Currency translation reserve US\$'000	Legal reserve US\$'000	Capital reserve US\$'000	Retained earnings US\$'000	Total US\$'000
<b>Group</b>									
<b>Balance at January 1, 2004</b>	5,000	–	394	(4,112)	26	–	–	4,086	5,394
Net proceeds from the issue of new shares	1,750	5,264	–	–	–	–	–	–	7,014
Currency translation differences	–	–	–	–	2	–	–	–	2
Capitalisation of legal reserve by a subsidiary of the Company	–	–	–	–	–	366	–	(366)	–
Transfer of reserves by a subsidiary of the Company	–	–	–	–	–	(92)	3,003	(2,911)	–
Profit for the year	–	–	–	–	–	–	–	3,677	3,677
<b>Balance at December 31, 2004</b>	6,750	5,264	394	(4,112)	28	274	3,003	4,486	16,087
Currency translation differences	–	–	–	–	119	–	–	–	119
Profit for the year	–	–	–	–	–	–	–	3,687	3,687
Dividend paid	–	–	–	–	–	–	–	(1,283)	(1,283)
<b>Balance at December 31, 2005</b>	6,750	5,264	394	(4,112)	147	274	3,003	6,890	18,610

- (a) Information relating to share premium is set out in Note 19 (a) and information on contributed surplus are set out in Note 19 (b) and Note 1.2 (g).
- (b) Merger reserve at January 1, 2004 arose from the Restructuring Exercise described in Note 1.2 and has been determined as follows for the purpose of presenting comparative figures :

	US\$'000
Issued capital of the Company	5,000
Contributed surplus of the Company	394
Issued capital of the previous holding company, Techcomp Limited	(1,282)
	4,112

- (c) In accordance with the People's Republic of China ("PRC") laws on foreign enterprises, the PRC subsidiaries are required to set aside 10% of their profit after tax for the Legal Reserve until the reserve aggregates to 50% of their registered capital. The Legal Reserve can be used to offset prior years' losses or convert into capital, provided such conversion is approved by a resolution at a shareholders' meeting.
- (d) Information relating to dividend paid is set out in Note 26.





## STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2005

	Note	Share capital US\$'000	Share premium US\$'000	Contributed surplus US\$'000	Retained earnings US\$'000	Total US\$'000
<b>Company</b>						
<b>Balance at January 1, 2004</b>		–	–	–	–	–
Issue of shares for Group restructuring		4,988	–	406	–	5,394
Nil-paid shares credited as fully paid		12	–	(12)	–	–
Net proceeds for the issue of new shares		1,750	5,264	–	–	7,014
Profit for the year		–	–	–	1,355	1,355
<b>Balance at December 31, 2004</b>		6,750	5,264	394	1,355	13,763
Profit for the year		–	–	–	864	864
Dividend paid	26	–	–	–	(1,283)	(1,283)
<b>Balance at December 31, 2005</b>		6,750	5,264	394	936	13,344

See accompanying notes to financial statements.

# CONSOLIDATED CASH FLOW STATEMENTS

Year ended December 31, 2005

	Group	
	2005 US\$'000	2004 US\$'000
<b>Operating activities:</b>		
Profit before income tax	4,066	4,081
Adjustments for:		
Depreciation of property, plant and equipment	433	327
Amortisation of prepaid lease payment	4	4
Interest income	(12)	(31)
Finance costs	413	554
(Gain) Loss on disposal of properties, plant and equipment	(239)	1
Amortisation of intangible assets	109	34
Fair value change on derivative financial instruments	134	–
Operating cash flows before movements in working capital	4,908	4,970
Trade and other receivables	(1,641)	(3,742)
Inventories	(1,051)	(421)
Trade and other payables	2,461	(3,690)
Cash generated from (used in) operations	4,677	(2,883)
Income taxes paid	(340)	(706)
Net cash from (used in) operating activities	4,337	(3,589)
<b>Investing activities:</b>		
Purchase of properties, plant and equipment (Note A)	(450)	(1,879)
Deposit for acquisition of properties, plant and equipment (Note A)	–	(363)
Proceeds on disposal of properties, plant and equipment	668	12
Interest income received	12	31
Expenditure on product development	(480)	(417)
Purchase of available-for-sale investment	(40)	–
Net cash used in investing activities	(290)	(2,616)



# CONSOLIDATED CASH FLOW STATEMENTS

Year ended December 31, 2005

	Group	
	2005 US\$'000	2004 US\$'000
<b>Financing activities:</b>		
Repayment of borrowings	(3,598)	(798)
Advance from a director	–	(21)
Proceeds from issue of new shares, net of expenses	–	7,014
Dividends paid	(1,283)	–
Interest paid	(413)	(554)
Net cash (used in) from financing activities	(5,294)	5,641
<b>Net foreign exchange adjustment on consolidation</b>	88	2
<b>Net decrease in cash</b>	(1,159)	(562)
Comprising:		
Net (decrease) increase in cash and cash equivalents (Note B)	(1,159)	1,820
Decrease in pledged bank deposits	–	(2,382)
Net decrease in cash	(1,159)	(562)

## Note A

During the financial year, the Group purchased \$813,000 of properties, plant and equipment, out of which \$363,000 was pre-paid as deposit in 2004. As a result, the net cash outflow for the purchase of properties, plant and equipment in this financial year amounted to \$450,000.

## Note B

Cash and cash equivalents:

Cash and bank balances	2,848	3,967
Bank overdrafts (Note 15)	(193)	(153)
	2,655	3,814
Net (decrease) increase in cash and cash equivalents	(1,159)	1,820

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

## 1 GENERAL

- 1.1 The Company (Registration No. 34778) was incorporated in Bermuda on January 26, 2004 under the Bermuda Act as an exempted company with limited liability and with its registered office at Canon's Court, 22 Victoria Street, Hamilton Hm12, Bermuda. The Company is listed on the mainboard of the Singapore Exchange Securities Trading Limited (SGX-ST).

The financial statements are expressed in United States dollars.

- 1.2 The Techcomp (Holdings) Limited Group of companies (collectively referred to as the "Group") was formed as a result of a restructuring exercise (the "Restructuring Exercise"), undertaken for the purpose of the Company's listing on the SGX-ST.

The Restructuring Exercise undertaken in 2004 involved:

- (a) the incorporation of Techcomp (Holdings) Limited (the "Company") in Bermuda to serve as the ultimate holding Company for the Group; the incorporation of Techcomp Scientific Limited ("Techcomp Scientific") in British Virgin Islands ("BVI") and Techcomp Instrument Limited ("Techcomp Instrument") in BVI to serve as intermediate holding companies and the issuance of the following shares:

	Number of shares
by the Company	12,000 shares of US\$1 each, nil paid and subsequently sub-divided into 240,000 shares of US\$0.05 each;
by Techcomp Scientific	1 share of US\$1 each, paid;
by Techcomp Instrument	1 share of US\$1 each, paid;

- (b) the transfer of all shares in Techcomp Limited ("Techcomp (Hong Kong) Trading"), previously held by Mr. Lo Yat Keung (President of the Company) and various other individual shareholders, to the Company at a consideration of US\$5,393,760 based on the audited consolidated net assets of Techcomp (Hong Kong) Trading as at December 31, 2003;

- (c) the transfer of all shares in the following companies engaged in trading activities ("Trading Companies"), which were previously owned by Techcomp (Hong Kong) Trading, to Techcomp Scientific at the following original investment cost:

	US\$
Techcomp (Tianjin) Ltd. ("Techcomp (Tianjin) Trading")	200,000
Techcomp (Guangzhou) Ltd. ("Techcomp (Guangzhou) Trading")	200,000
Techcomp (Shanghai) Co. Ltd. ("Techcomp (Shanghai) Trading")	200,000
	600,000

# NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

## 1 GENERAL (Cont'd)

- (d) the transfer of all shares in the following companies engaged in manufacturing activities ("Manufacturing Companies"), which were previously owned by Techcomp (Hong Kong) Trading, to Techcomp Instrument at the following original investment cost:

	US\$
Shanghai Techcomp Instrument Ltd. ("Techcomp (Shanghai) Manufacturing")	350,000
Beijing Techcomp Analytical Instruments Co., Ltd. ("Techcomp (Beijing) Manufacturing")	250,000
	600,000

- (e) the incorporation of Techcomp (Singapore) Pte Ltd as a subsidiary of Techcomp Scientific;
- (f) the transfer by the Company of all shares held in Techcomp (Hong Kong) Trading to Techcomp Scientific for a consideration of US\$4,193,760 determined on the basis of the audited consolidated net assets of Techcomp (Hong Kong) Trading (US\$5,393,760) less the investment costs in the Trading Companies (US\$600,000) and in the Manufacturing Companies (US\$600,000) as at 31 December 2003; and
- (g) the satisfaction of the consideration relating to the transfer of shares in companies by the following means:

	Settlement of consideration
Transfer of all shares in Techcomp (Hong Kong) Trading by the individual shareholders to the Company, referred to in Note 1.2(b).	<p>The Company issued 99,760,000 new shares of US\$0.05 each to the individual shareholders of Techcomp (Hong Kong) Trading and recorded a contributed surplus of US\$405,760 representing the difference between the consideration of US\$5,393,760 and the par value of issued shares.</p> <p>An amount of US\$12,000 from the contributed surplus account was applied towards paying the nil paid shares originally issued [Note 1.2(a)].</p> <p>Upon this application, the contributed surplus was reduced to US\$393,760 and the issued capital of the Company comprised 100,000,000 shares of US\$0.05 per share, fully paid-up.</p>
Transfer of all shares in Trading Companies by Techcomp (Hong Kong) Trading to Techcomp Scientific, referred to in Note 1.2(c) above; and transfer of all shares in Manufacturing Companies by Techcomp (Hong Kong) Trading to Techcomp Instrument, referred to in Note 1.2 (d).	<p>Techcomp (Hong Kong) Trading assigned to the Company US\$600,000 owing to it by Techcomp Scientific and US\$600,000 owing to it by Techcomp Instruments.</p> <p>Techcomp Scientific settled its debt with the Company by issuing 8,348 new shares of US\$1 each to the Company and recorded a contributed surplus of US\$591,652.</p> <p>Techcomp Instrument settled its debt with the Company by issuing 49,999 new shares of US\$1 each to the Company and recorded a contributed surplus of US\$550,001.</p>

# NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

## 1 GENERAL (Cont'd)

### Settlement of consideration

Transfer by the Company of all shares held in Techcomp (Hong Kong) Trading to Techcomp Scientific, referred to in Note 1.2 (f).

Techcomp Scientific issued 41,651 new shares of US\$1 each to the Company and recorded a contributed surplus of US\$2,952,109.

The Company assigned to Techcomp (Hong Kong) Trading the balance of US\$1,200,000 owing by Techcomp Scientific to the Company.

- 1.3 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.
- 1.4 The consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for the year ended December 31, 2005 were authorised for issue by the Board of Directors on March 29, 2006.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING** - The financial statements are prepared in accordance with the historical cost convention, and are drawn up in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

In the current financial year, the Group has adopted all the new and revised Standards and Interpretations issued by the IASB and the IFRIC of the IASB that are relevant to its operations and effective for annual periods beginning on January 1, 2005. The adoption of these new and revised Standards and Interpretations has no material effect on the financial statements for the current or prior years.

At the date of authorisation of these financial statements, the following Standards and Interpretations were issued but not effective:

IAS 1 (Amended 2005)	-	Presentation of Financial Statements
IAS 19 (Amended 2004)	-	Employee Benefits
IAS 39 (Amended 2005)	-	Financial Instruments: Recognition and Measurement
IFRS 6	-	Exploration for and Evaluation of Mineral Resources
IFRS 7	-	Financial Instruments: Disclosures
IFRIC 4	-	Determining whether an Arrangement contains a Lease
IFRIC 5	-	Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6	-	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Engineering
IFRIC 7	-	Applying the restatement approach under IAS 29 Financial Reporting in Hyperinflationary economics
IFRIC 8	-	Scope of IFRS 2 Share-based Payments
IFRIC 9	-	Reassessment of Embedded Derivatives

The directors anticipate that the adoption of these Standards and Interpretations in the future periods will have no material impact on the financial statements of the Group and of the Company.

# NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

### (a) Merger Accounting

In respect of the restructuring of the Group as detailed in Note 1.2, merger accounting is used instead of acquisition accounting in 2004.

Merger accounting was adopted as the restructuring of the Group involved entities under the common control of Mr. Lo Yat Keung and various other individual shareholders.

Under merger accounting, the assets, liabilities, revenue, expenses and cash flows of all the entities within the Group are combined after making such adjustments as are necessary to achieve consistency of accounting policies.

### (b) Purchase method

Subsequent to the restructuring exercise, the acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current 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*, which are recognised and measured at fair values less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately to the profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### (c) 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 the profit and loss statement.

**FINANCIAL INSTRUMENTS** – Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.



## NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

#### Cash and cash equivalents

Cash and bank balances comprise cash on hand and demand deposits, bank overdrafts, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### Available-for-sale investments

Equity instruments (other than in subsidiaries, associates and joint ventures) are initially measured at cost plus directly attributable transaction costs and subsequently at fair value. Gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit and loss statement for the period. Impairment losses recognised in the profit and loss statement for equity instruments classified as available-for-sale are not subsequently reversed through the profit and loss statement.

#### Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

#### Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

#### Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates.

The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments.

## NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The Group does not use derivative financial instruments to manage interest rate risks.

The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

LEASES – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

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

	Depreciation rates	Residual value
Leasehold land and 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%

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

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

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 only if all the following conditions are met:

- (a) an asset is created that can be identified;
- (b) it is probable that the asset created will generate future economic benefits; and
- (c) the development cost of the asset can be measured reliably.

## NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

Where no intangible asset can be recognised, development expenditure is recognised in the profit and loss statement in the period in which it is incurred.

OTHER INTANGIBLE ASSETS – Technical know-how is measured initially at purchase cost and amortised on a straight line basis over the estimated useful life which normally does not exceed five years.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS – At each balance sheet date, 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). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

PROVISIONS – Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed. Revenue from rendering of services that are of a short duration is recognised when the services are complete.

Interest income is accrued on a time proportionate 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.

FINANCE COSTS – Finance costs are recognised in the profit and loss statement in the period in which they are incurred.

## NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

**RETIREMENT BENEFIT COSTS** – Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

The subsidiary in Hong Kong operates a defined contribution Mandatory Provident Fund retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance, for employees who are eligible to participate in the scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss statement as they become payable in accordance with the rules of the scheme. The assets of the scheme are held separately from those of the subsidiary in an independently administered fund. The subsidiary's employer contributions vest fully with the employees when contributed into the scheme except for the Company's employer voluntary contributions which are refunded to the subsidiary in accordance with the rules of the scheme when the employee leaves employment prior to the contributions vesting fully.

Employees of the Group's subsidiaries in the People's Republic of China ("PRC") are members of the pension scheme operated by the PRC local government. The PRC subsidiaries are required to contribute a certain percentage of payroll of these employees to fund benefits under the pension scheme. The only obligation of the PRC subsidiaries in respect of the pension scheme is the required contributions under the pension scheme.

**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 balance sheet date.

**INCOME TAX** – Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted, in countries where the subsidiaries operate, by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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.

## NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

**FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION** – The individual financial statements of each Group entity are 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 balance sheet of the Company are presented in United States dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts. Details of the Group's accounting policies in respect of such derivative financial instruments is set out in a preceding paragraph.

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 on the balance sheet date. 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 classified as equity and transferred to the group's translation reserve. Such translation differences are recognized in the profit and loss in the period in which the foreign operation is disposed of.

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

Apart from those involving estimations, management has not made any significant judgement in the process of applying the accounting policies described in Note 2.

The key source of estimation uncertainty at the balance sheet date, that has a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year relate to management's estimates of recoverable amounts of trade receivables of US\$15.80 million and the consequential amount of allowances for doubtful debts of US\$0.45 million included in its balance sheet at December 31, 2005.

### 4 FINANCIAL RISKS AND MANAGEMENT

#### (i) Credit risk

The Group's principal financial assets are bank balances and cash and trade and other receivables.

The Group has no significant concentration of credit risk with any particular customer. A substantial number of its customers are in the People's Republic of China. Cash deposits or letters of credit are generally requested from customers to mitigate credit risk. Payment terms are given to customers and compliance with such terms is monitored.

Cash and fixed deposits are held with creditworthy financial institutions.

## NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

### 4 FINANCIAL RISKS AND MANAGEMENT (Cont'd)

#### (ii) Foreign exchange risk

The Group conducts its business in various foreign currencies, principally United States dollars, Renminbi, Hong Kong dollars, Singapore dollars and Japanese Yen and therefore is exposed to foreign exchange risk.

Sales are largely denominated in United States dollars and Renminbi. Purchases are largely denominated in United States dollars and Japanese Yen. Manufacturing cost and overheads are incurred in the domestic currencies in which operations are conducted and these are substantially incurred in Renminbi and Hong Kong dollars.

Companies in the Group use forward contracts to hedge their exposure to foreign currency risk in the local reporting currency.

#### (iii) Interest rate risk

The Group's borrowings are substantially in United States dollars and Japanese Yen. Interest charged on the Group's borrowings are at variable rates and are pegged at various margins above the Hong Kong interbank offer rates or the prime lending rates of the banks. The Group does not use financial derivatives to hedge exposures to interest rate risks.

#### (iv) Liquidity risk

The group finances their activities by maintaining sufficient cash and cash equivalents and keeping committed credit lines available.

#### (v) Fair values

The carrying values of the Group's financial assets and liabilities reported in the balance sheet approximate the fair values of these assets and liabilities.

### 5 OTHER RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Many of the company'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 are unsecured, interest-free and without fixed repayment terms unless otherwise stated.

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

	Group	
	2005 US\$'000	2004 US\$'000
Short-term benefits	804	732
Post-employment benefits	43	36
	847	768

## NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

### 6 CASH AND BANK BALANCES

	Group	
	2005 US\$'000	2004 US\$'000
Cash at bank	2,148	3,267
Fixed deposits	700	700
Total	2,848	3,967

Bank balances and cash comprise cash held by the group and short-term bank deposit. The carrying amounts of these assets approximate their fair values.

Fixed deposits bear interest at an average rate of 3% (2004:3%) 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	
	2005 US\$'000	2004 US\$'000
United States Dollar	1,330	2,369
Japanese Yen	407	450
Euro	4	–
Australian Dollar	–	14

### 7 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005 US\$'000	2004 US\$'000	2005 US\$'000	2004 US\$'000
Trade receivables	15,798	13,114	–	–
Less: Allowance for doubtful debts	(451)	(325)	–	–
	15,347	12,789	–	–
Trade bills receivable discounted with recourse	1,158	1,860	–	–
Prepayments	255	293	–	–
Other receivables	919	1,096	–	–
Dividends receivable from a subsidiary	–	–	1,000	1,400
	17,679	16,038	1,000	1,400



## NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

### 7 TRADE AND OTHER RECEIVABLES (Cont'd)

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

	Group		Company	
	2005 US\$'000	2004 US\$'000	2005 US\$'000	2004 US\$'000
United States Dollar	8,709	7,489	–	–
Japanese Yen	2,024	1,222	–	–
Australian Dollar	64	146	–	–
Euro	–	5	–	–

### 8 PREPAID LEASE PAYMENT

	Group	
	2005 US\$'000	2004 US\$'000
The Group's prepaid lease payment comprises:		
Leasehold land outside Hong Kong:		
Long lease	158	158
Short lease	4	4
	162	162

Classified for reporting purposes under:

Current asset	4	4
Non-current asset	158	158
	162	162

### 9 INVENTORIES

	Group	
	2005 US\$'000	2004 US\$'000
Raw materials	1,027	1,045
Work-in-progress	629	956
Finished goods	5,839	4,443
	7,495	6,444



# NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

## 10 PROPERTIES, PLANT AND EQUIPMENT

	Group				
	Leasehold land and buildings US\$'000	Furniture and fixtures US\$'000	Machinery and equipment US\$'000	Motor vehicles US\$'000	Total US\$'000
Cost:					
At January 1, 2004	2,060	601	444	292	3,397
Additions	1,489	102	119	169	1,879
Disposals	–	(6)	(20)	–	(26)
At January 1, 2005	3,549	697	543	461	5,250
Additions	7	607	127	72	813
Disposals	(452)	(10)	(35)	(40)	(537)
Exchange difference	24	9	5	5	43
At December 31, 2005	3,128	1,303	640	498	5,569
Accumulated depreciation:					
At January 1, 2004	265	344	279	144	1,032
Depreciation	119	96	72	40	327
Eliminated on disposals	–	(5)	(8)	–	(13)
At January 1, 2005	384	435	343	184	1,346
Depreciation	93	202	70	68	433
Eliminated on disposals	(68)	(7)	(7)	(26)	(108)
Exchange difference	6	5	3	2	16
At December 31, 2005	415	635	409	228	1,687
Carrying amount:					
At December 31, 2005	2,713	668	231	270	3,882
At December 31, 2004	3,165	262	200	277	3,904

The Group has pledged leasehold land and buildings with carrying amounts of approximately US\$1,291,000 (2004 : US\$1,428,000) to certain banks as security for the banking facilities granted to the Group (Note 15).

# NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

## 11 SUBSIDIARIES

	Company	
	2005 US\$'000	2004 US\$'000
Unquoted equity shares, at cost	5,394	5,394
Advances to subsidiaries	6,950	6,975
	12,344	12,369

Advances to subsidiaries are unsecured. On adoption of IAS 39 (as revised in 2004) on January 1, 2005, the Company determined that the advances are repayable on demand and the carrying values approximate the fair values. At the end of the year, the Company evaluated repayment options with the subsidiaries and determined that based on business plans for 2006, the subsidiaries require the funds and are unlikely to make any significant repayment in 2006. As a consequence, the Company converted the interest-free advances to interest-bearing advances effective from January 1, 2006 and determined that the carrying values at December 31, 2006 approximated the fair values.

Details of the Company's subsidiaries at December 31, 2005 are as follows:

Name of subsidiary	Country of incorporation (or registration) and operation	Proportion of ownership interest and voting power held		Principal activity
		2005 %	2004 %	
<u>Held by the Company</u>				
Techcomp Scientific Limited <sup>(4)</sup>	British Virgin Islands	100	100	Investment holding
Techcomp Instrument Limited <sup>(4)</sup>	British Virgin Islands	100	100	Investment holding
<u>Held by Techcomp Scientific Limited</u>				
Best Wit Consultants Ltd <sup>(4)</sup>	British Virgin Islands / PRC	100	100	Provision of installation services
Techcomp Limited <sup>(2)</sup>	Hong Kong	100	100	Trading of analytical and laboratory instruments
Techcomp (Tianjin) Ltd. <sup>(3)</sup>	People's Republic of China ("PRC")	100	100	International trade, consultancy and sales of clinical analytical instruments and basic medical testing equipment
Techcomp (Guangzhou) Ltd. <sup>(3)</sup>	PRC	100	100	International entreport and commercial trade and exhibitions (within Free Trade Zone)

# NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

## 11 SUBSIDIARIES (Cont'd)

Name of subsidiary	Country of incorporation (or registration) and operation	Proportion of ownership interest and voting power held		Principal activity
		2005 %	2004 %	
Techcomp (Shanghai) Ltd. <sup>(3)</sup>	PRC	100	100	International and entreport trade and commercial consulting service (within Free Trade Zone)
Techcomp (Singapore) Pte Ltd <sup>(5)</sup>	Singapore	100	100	Trading of analytical and laboratory instruments
Tiande (Tianjin) Ltd <sup>(1) (6)</sup>	PRC	100	–	Trading of analytical and laboratory instruments
Well All Consultants Ltd <sup>(4)</sup>	British Virgin Islands / PRC	100	100	Provision of consultancy services
<u>Held by Techcomp Instrument Limited</u>				
Shanghai Techcomp Instrument Ltd. <sup>(3)</sup>	PRC	100	100	Manufacturing of analytical and laboratory instruments
Beijing Techcomp Analysis Instrument Co., Ltd <sup>(3)</sup>	PRC	100	100	Manufacturing of analytical and laboratory instruments

(1) Newly incorporated in 2005.

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

(3) Audited by Deloitte Touche Tohmatsu CPA Ltd, People's Republic of China.\*

(4) Audited by Deloitte Touche Tohmatsu, Hong Kong\* (Not required to be audited in country of incorporation).

(5) Audited by Deloitte & Touche, Singapore.

(6) Reviewed by Deloitte Touche Tohmatsu, Hong Kong.

\* These are the auditors who conducted the audits for financial statements of the subsidiaries prepared under International Financial Reporting Standards which are included in these financial statements.

## NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

### 12 INTANGIBLE ASSETS

	Group US\$'000
Cost:	
At January 1, 2004	–
Additions	417
At January 1, 2005	417
Additions	480
At December 31, 2005	897
Amortisation:	
At January 1, 2004	–
Amortisation for the year	34
At January 1, 2005	34
Amortisation for the year	109
At December 31, 2005	143
Carrying amount:	
At December 31, 2005	754
At December 31, 2004	383

Intangible assets comprise payments made to acquire technical know-how and development costs incurred for the manufacture of analytical instruments. These costs related to product development and technical know-how are amortised on a straight-line basis over the estimated remaining useful lives.

Amortisation of US\$109,000 (2004 : US\$34,000) has been included in administrative expenses in the consolidated profit and loss statement.

### 13 AVAILABLE-FOR-SALE INVESTMENT

	Group 2005 US\$'000	2004 US\$'000
Unquoted equity shares, at cost	40	–

The investment in unquoted equity investment represents investment in a company that is engaged in trading of high technology products. The directors consider the cost to approximate fair value.

## NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

### 14 DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised by the Group and the movements thereon, during the current financial year.

Group	Timing differences between book and tax depreciation US\$'000	Tax losses US\$'000	Total US\$'000
At January 1, 2005	–	–	–
Credit to profit for the year	4	8	12
At December 31, 2005	4	8	12

### 15 BANK OVERDRAFTS AND LOANS

	Group	
	2005 US\$'000	2004 US\$'000
Trust receipt loans	5,468	6,877
Bank loans	192	2,293
Mortgage loan	617	705
Bank overdrafts	193	153
	6,470	10,028
Secured	617	705
Unsecured	5,853	9,323
	6,470	10,028

The borrowings are repayable as follows:

On demand or within one year	5,942	9,219
Within the second to fifth year	352	545
After five years	176	264
	6,470	10,028
Less: Amount due for settlement within 12 months (shown under current liabilities)	(5,942)	(9,219)
Amount due for settlement after 12 months	528	809

## NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

### 15 BANK OVERDRAFTS AND LOANS (Cont'd)

The Group's borrowings that are denominated in the functional currencies of the respective companies in the Group are as follows:

	Group	
	2005 US\$'000	2004 US\$'000
<b><u>Trust receipt loans</u></b>		
United States Dollar	2,596	5,704
Japanese Yen	2,759	847
Euro	97	326
British Pound	16	–

The average effective interest rates paid were as follows:

	Group	
	2005 US\$'000	2004 US\$'000
Trust receipt loans	4.5%	4.5%
Bank loans	5.7%	5.6%
Mortgage loans	4.8%	3.9%
Bank overdrafts	6.0%	6.1%

The Group has mortgaged its leasehold land and buildings of approximately US\$1,291,000 (2004 : US\$1,428,000) (Note 10) to certain banks to secure mortgage loan granted to the Group. Interest on these borrowings are pegged at various margins above the Hong Kong interbank offer rates or the prime lending rates of the banks. These interest rates are repriced every twelve months (2004 : twelve months).

### 16 TRADE AND OTHER PAYABLES

	Group		Company	
	2005 US\$'000	2004 US\$'000	2005 US\$'000	2004 US\$'000
Trade payables	5,297	2,198	–	–
Liabilities for trade bills discounted with recourse	1,158	1,860	–	–
Accruals	412	439	–	6
Other payables	679	588	–	–
	7,546	5,085	–	6

## NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

### 16 TRADE AND OTHER PAYABLES (Cont'd)

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

	Group		Company	
	2005	2004	2005	2004
	US\$'000	US\$'000	US\$'000	US\$'000
United State Dollar	715	743	–	–
British Pound	18	57	–	–
Euro	67	177	–	–
Japanese Yen	3,900	211	–	–
Swiss Franc	3	4	–	–
Hong Kong Dollar	–	6	–	6

### 17 DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2005	2004
	Liabilities	Liabilities
	US\$'000	US\$'000
Forward foreign exchange contracts – fair value loss	134	–

The Group utilises foreign currency forward contracts to purchase Japanese Yen in managing its foreign exchange exposures.

At the balance sheet date, the total notional amount of outstanding forward foreign exchange contracts to which the Group is committed are as follows:

	Group	
	2005	2004
	US\$'000	US\$'000
Forward foreign exchange contracts	6,557	–

Changes in fair value of the above outstanding contracts amounting to US\$134,000 have been charged as an expense to profit and loss statement in the year (2004 : \$Nil) with a corresponding amount recorded as a current liability.



# NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

## 18 SHARE CAPITAL

	Group and Company			
	2005 Number of ordinary shares of US\$0.05	2004	2005 US\$'000	2004 US\$'000
Authorised	800,000,000	800,000,000	40,000	40,000
Issued and paid up	135,000,000	135,000,000	6,750	6,750

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

## 19 RESERVES

	Company US\$'000
(a) Share premium:	
Balance at January 26, 2004 (date of incorporation of Company)	–
Issue of 35,000,000 ordinary shares of US\$0.05 each at \$0.40 per share and at a premium equivalent to approximately US\$0.1837 per ordinary share	6,431
Less: Share issue expenses	(1,167)
Balances at December 31, 2004 and December 31, 2005	5,264

Included in share issue expenses are fees of US\$168,000 charged by auditors of the Group in financial year ended December 31, 2004.

The Bermuda 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 Act relating to a reduction of share capital shall, except as provided in Section 40 of the Bermuda Act, apply as if the share premium account were paid up share capital for the company. An exception is made to this rule in the case of an exchange of shares where the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

	Company US\$'000
(b) Contributed surplus:	
Balance at January 26, 2004 (date of incorporation of the Company)	–
Arising from the issue of shares for the Restructuring Exercise [Note 1.2(g)]	406
Nil-paid shares credited as fully paid [Note 1.2(g)]	(12)
Balances at December 31, 2004 and December 31, 2005	394



# NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

## 20 REVENUE

	Group	
	2005 US\$'000	2004 US\$'000
Sale of analytical instruments, life science equipment and laboratory instruments	44,617	41,917

## 21 OTHER OPERATING INCOME

	Group	
	2005 US\$'000	2004 US\$'000
Maintenance service income	119	112
Technical service income	–	61
Gain on disposal of properties, plant and equipment	239	–
Interest income from non-related companies	12	31
Sundry income	172	90
Foreign exchange adjustment gain	–	97
	542	391

## 22 FINANCE COSTS

	Group	
	2005 US\$'000	2004 US\$'000
Interest on bank overdrafts and loans	413	554

## 23 INCOME TAX EXPENSE

	Group	
	2005 US\$'000	2004 US\$'000
Current tax	389	401
Deferred tax	(12)	–
Underprovision in prior years	2	3
Income tax expense for the year	379	404

## NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

### 23 INCOME TAX EXPENSE (Cont'd)

The income tax expense for the Group differs from the amount of income tax expense determined by applying the Hong Kong income tax rate of 17.5% (2004 : 17.5%), the tax rates in different locations in PRC ranging from 15% to 33% (2004 : 15% to 33%) and the zero tax rate (2004 : zero tax rate) in British Virgin Islands, to profit before income tax as a result of the following differences:

	Group	
	2005 US\$'000	2004 US\$'000
Income tax expense at the respective statutory tax rates	248	522
Non-taxable items	(9)	–
Non-deductible items	104	–
Underprovision in prior years	2	3
Utilisation of tax benefits previously not recognised	(12)	–
Recognition of deferred tax benefit previously not recognised	(12)	–
Deferred tax benefit not recognised	73	64
Partial tax rebate	–	(176)
Others	(15)	(9)
Total income tax expense	379	404

There was no significant deferred tax liability at the balance sheet date.

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

	Group	
	2005 US\$'000	2004 US\$'000
Amount at beginning of year	669	382
Amount in current year	143	287
Amount at end of year	812	669
Deferred tax benefit on above not recognised	198	156

At the balance sheet date, the group has unutilised tax losses of \$852,000 (2004 : \$669,000) available for offset against future periods. A deferred tax asset has been recognised in respect of \$40,000 (2004 : \$NIL) of such losses. No deferred tax asset has been recognised in respect of the remaining \$812,000 (2004: \$669,000) due to the unpredictably of future profit streams. Included in unrecognised tax losses are losses of \$812,000(2004:\$569,000) which will expire over the period from 2008 to 2010. Other losses can be carried forward indefinitely.

## NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

### 24 PROFIT FOR THE YEAR

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

	Group	
	2005 US\$'000	2004 US\$'000
Directors' remuneration	304	289
Employee benefits expense (including directors' remuneration)	4,258	3,140
Cost of defined contribution plans included in staff costs	445	246
Costs of inventories recognised as expense	29,668	28,910
Amortisation of intangible assets (1)	109	34
Amortisation of prepaid lease payment	4	4
Depreciation of properties, plant and equipment	433	327
Directors' fee	70	33
Net foreign exchange adjustment losses (gains)	79	(97)
(Gain) Loss on disposal of properties, plant and equipment	(239)	1
Audit fees:		
– Paid to auditors of the Company	31	26
– Paid to other auditors	133	93
Non-audit fees:		
– Paid to other auditors	19	39
Research and development costs	147	145
Changes in fair value of derivative financial instruments	134	–

(1) This is included in administrative expenses in the consolidated profit and loss statement.

### 25 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's net profit for the year of US\$3,687,000 (2004 : US\$3,677,000) divided by the weighted number of ordinary shares of 135,000,000 (2004 : 116,589,041) in issue during the year.

There is no dilution of earnings per share as the Company did not grant any option over unissued shares in both years.

### 26 DIVIDEND

In 2005, the Company declared and paid a final dividend of US\$0.0095 per ordinary share totalling US\$1,282,500 out of accumulated profits in respect of the financial year ended December 31, 2004.

In respect of the current year, the directors propose that a final dividend of S\$0.01 (US\$0.00617) per share be paid to shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as liability in these financial statements. The total estimated dividend to be paid is US\$833,000.

## NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

### 27 OPERATING LEASE ARRANGEMENTS

*The group as lessee*

	Group	
	2005 US\$'000	2004 US\$'000
Minimum lease payments under operating leases recognised as an expense in the year	314	243

At the balance sheet date, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2005 US\$'000	2004 US\$'000
Within one year	269	110
In the second to fifth year inclusive	233	57
	502	167

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 one to four years.

The Company has no lease commitments.

### 28 COMMITMENTS

	Group	
	2005 US\$'000	2004 US\$'000
Commitments for acquisition of property, plant and equipment	–	77

At December 31, 2005 and December 31, 2004, the Company has no capital commitments.

### 29 CONTINGENT LIABILITIES

At December 31, 2005 and December 31, 2004, the Group has no contingent liabilities.

The Company provided corporate guarantees of approximately US\$8,287,000 (2004 : US\$10,028,000) to certain banks as security for banking facilities granted to its subsidiaries.

## NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

### 30 RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. As a result, certain line items have been amended on the face of the balance sheet, cash flow statement and the related notes to the financial statements. Comparative figures have been adjusted to conform with current year's presentation.

The items reclassified are as follows:

	Previously reported US\$'000	Reclassification US\$'000	After reclassification US\$'000
<b>2004</b>			
<u>Balance sheet</u>			
Non-current assets:			
Properties, plant and equipment	4,066	(162)	3,904
Prepaid lease payment	–	158	158
Current asset:			
Prepaid lease payment	–	4	4
	4,066	–	4,066
<u>Cash flow statement</u>			
Depreciation of properties, plant and equipment	331	(4)	327
Amortisation of prepaid lease payment	–	4	4

### 31 BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is organised into two business divisions – distribution and manufacturing. These divisions are the basis on which the Group reports its primary segment information.

#### Principal activities are as follows:

Distribution – distribution of analytical and laboratory instruments and life science equipment.

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

#### Business segments

Segment revenue and expense: Segment revenue and expense are the operating revenue and expense reported in the Group's profit and loss statement 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.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of receivables, inventories and properties, plant and equipment, net of allowances and provisions. Capital expenditure relate to costs incurred in the period to acquire segment assets that are expected to be used for more than one period and comprise cost incurred to acquire properties, plant and equipment and expenditure on product development and technical know-how. Segment liabilities include all operating liabilities except income tax payable and borrowings. They consist principally of accounts payables and accruals.

# NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

## 31 BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

Inter-segment transfers: Segment revenue and expenses include transfers between business segments. Inter-segment sales are charged at cost plus a percentage mark-up. These transfers and inter-segment mark-up are eliminated on consolidation.

	Distribution US\$'000	Manufacturing US\$'000	Eliminations US\$'000	Total US\$'000
2005				
<b>REVENUE</b>				
External sales	37,040	7,577	–	44,617
Inter-segment sales	–	–	–	–
<b>Total revenue</b>	<b>37,040</b>	<b>7,577</b>	<b>–</b>	<b>44,617</b>
<b>RESULT</b>				
Segment result	2,932	1,669	–	4,601
Fair value changes on derivative financial instruments	(134)	–	–	(134)
Finance costs	(394)	(19)	–	(413)
Interest income	10	2	–	12
<b>Profit before income tax</b>	<b>2,414</b>	<b>1,652</b>	<b>–</b>	<b>4,066</b>
Income tax expense				(379)
<b>Profit for the year</b>				<b>3,687</b>
<b>ASSETS</b>				
Segment assets	25,939	6,881	–	32,820
Unallocated assets				196
<b>Consolidated total assets</b>				<b>33,016</b>
<b>LIABILITIES</b>				
Segment liabilities	5,827	1,719	–	7,546
Derivative financial instruments	134	–	–	134
Bank borrowings	6,470	–	–	6,470
	12,431	1,719	–	14,150
Unallocated liabilities			–	256
<b>Consolidated total liabilities</b>				<b>14,406</b>
<b>OTHER INFORMATION</b>				
Capital expenditure	608	685	–	1,293
Depreciation and amortisation	288	254	–	542

# NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

## 31 BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

	Distribution US\$'000	Manufacturing US\$'000	Eliminations US\$'000	Total US\$'000
2004				
<b>REVENUE</b>				
External sales	35,161	6,756	–	41,917
Inter-segment sales	–	–	–	–
Total revenue	35,161	6,756	–	41,917
<b>RESULTS</b>				
Segment result	3,117	1,487	–	4,604
Finance costs	(518)	(36)	–	(554)
Interest income	26	5	–	31
Profit before income tax	2,625	1,456	–	4,081
Income tax expense				(404)
Profit for the year				3,677
<b>ASSETS</b>				
Segment assets	23,665	7,596	–	31,261
Unallocated assets				157
Consolidated total assets				31,418
<b>LIABILITIES</b>				
Segment liabilities	2,683	2,402	–	5,085
Bank borrowings	9,665	363	–	10,028
	12,348	2,765	–	15,113
Unallocated liabilities				218
Consolidated total liabilities				15,331
<b>OTHER INFORMATION</b>				
Capital expenditure	1,808	488	–	2,296
Depreciation and amortisation	189	172	–	361

# NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

## 31 BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

### Geographical segments

Segment revenue: Segment revenue is analysed based on the location of customers, regardless of where the goods are produced.

Segment assets and capital expenditure: Segment assets and capital expenditure are analysed based on the location of those assets. Capital expenditure relate to costs incurred in the period to acquire segment assets that are expected to be used for more than one period and comprise cost incurred to acquire properties, plant and equipment and expenditure on product development and technical know-how.

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/services:

	Group	
	2005 US\$'000	2004 US\$'000
<u>Revenue</u>		
People's Republic of China ("PRC")	35,787	35,856
Hong Kong Special Administrative Region ("Hong Kong")	2,277	2,727
Japan	1,899	1,922
India	1,250	67
Others <sup>(1)</sup>	3,404	1,345
Total	44,617	41,917

The following is an analysis of the carrying amount of segment assets and capital expenditure analysed by the geographical area in which the assets are located.

	Group			
	Carrying amount of segment assets		Capital expenditure	
	2005 US\$'000	2004 US\$'000	2005 US\$'000	2004 US\$'000
Hong Kong	20,459	19,489	510	1,631
PRC	12,043	11,759	779	622
Singapore	514	170	4	43
Total	33,016	31,418	1,293	2,296

(1) The geographic segment classified as "Others" include Europe, the United States, Southeast Asia, South Asia, Middle East and Australia.



## STATISTICS OF SHAREHOLDINGS

As at 9 March 2006

Issued and paid-up capital	–	US\$6,750,000
Class of shares	–	Ordinary shares of US\$0.05 each
Voting rights	–	On a show of hands: 1 vote
	–	On a poll: 1 vote for each ordinary share

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	0	0.00	0	0.00
1,000 – 10,000	519	71.49	1,882,000	1.39
10,001 – 1,000,000	196	27.00	13,595,500	10.07
1,000,001 and above	11	1.51	119,522,500	88.54
	726	100.00	135,000,000	100.00

### TOP 20 SHAREHOLDERS

No.	Name	No. of Shares	%
1	Lo Yat Keung	68,390,000	50.66
2	DBS Vickers Securities (S) Pte Ltd	9,521,500	7.05
3	HSBC (Singapore) Nominees Pte Ltd	7,366,000	5.46
4	Xu Guoping	6,580,000	4.87
5	Chan Wai Shing	6,480,000	4.80
6	Yung Yat	5,000,000	3.70
7	BNP Paribas Nominees Singapore Pte Ltd	4,649,000	3.44
8	United Overseas Bank Nominees Pte Ltd	4,173,000	3.09
9	Citibank Nominees Singapore Pte Ltd	4,023,000	2.98
10	Wang Meng	2,000,000	1.48
11	Xia Yisheng	1,340,000	0.99
12	Royal Bank Of Canada (Asia) Ltd	1,000,000	0.74
13	Tse Po Wah	600,000	0.44
14	Lim Chye Huat @ Bobby Lim Chye Huat	550,000	0.41
15	DBS Nominees Pte Ltd	532,000	0.39
16	Silvaraju S/O Karuppiah Kolinda	520,000	0.39
17	Tan Sung Sung	500,000	0.37
18	Avtrade Trading Pte Ltd	471,000	0.35
19	Lim Guan Chiang Albert	322,000	0.24
20	OCBC Securities Private Ltd	305,000	0.23
		124,322,500	92.08

### Shareholdings Held in Hands of Public

Based on information available to the Company as at March 9, 2006, 28.4% 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

As at 9 March 2006

### 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	70,339,000 <sup>(1)</sup>	52.10	5,000,000 <sup>(2)</sup>	3.70
Prudential Asset Management (Singapore) Limited	–	–	7,948,000 <sup>(3)</sup>	5.89

(1) Direct interest includes 1,949,000 shares held through BNP Paribas Nominees Singapore Pte Ltd.

(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 5,000,000 shares.

(3) Prudential Asset Management (Singapore) Limited has a beneficial interest in 6,373,000 shares held by HSBC (Singapore) Nominees Pte Ltd and 1,575,000 shares held by Citibank Nominees Singapore Pte Ltd.

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting of the Company will be held at VIP Lounge A, Raffles City Convention Centre 2, Stamford Road, Singapore on 24 April 2006 at 10.00 a.m. to transact the following business:-

### Ordinary Business

1. To receive and adopt the directors' report and audited accounts for the financial year ended December 31, 2005 together with the auditors' report thereon.
2. To declare a first and final dividend of S\$0.01 per share for the financial year ended December 31, 2005.
3. To approve directors' fees of US\$70,000 for the financial year ended December 31, 2005 (2004: US\$33,000).
4. To re-elect Mr. Chan Wai Shing, a director retiring pursuant to Bye-Law 104 of the Bye-Laws of the Company.
5. To re-elect Mr. Ho Yew Yuen, a director retiring pursuant to Bye-Law 104 of the Bye-Laws of the Company.  
*See Explanatory Note (a)*
6. To re-appoint Deloitte & Touche as auditors of the Company and to authorise the directors to fix their remuneration.

### Special Business

7. To consider and, if thought fit, to pass the following resolutions as ordinary resolutions, with or without any modifications:-

- 7.1 "That authority be and is hereby given to the directors of the Company to:

- (A) (i) offer, allot and issue shares whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as our directors may in their absolute discretion deem fit; and

- (B) (notwithstanding the authority conferred by this authority may have ceased to be in force) issue shares in pursuance of any instrument made or granted by the directors while this authority was in force,

provided that:

- (1) the aggregate number of shares to be issued pursuant to such authority (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 50% of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 20% of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below);



## NOTICE OF ANNUAL GENERAL MEETING

- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued share capital shall be based on the issued share capital of the Company at the time of the passing of this resolution, after adjusting for:
- (i) new shares arising from the conversion or exercise of any convertible securities or exercise of share options or vesting of share awards outstanding or subsisting at the time this authority is passed; and
  - (ii) any subsequent consolidation or sub-division of shares;
- (3) in exercising the authority conferred by this authority, the Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Bye-Laws for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law or the Bye-Laws of the Company to be held, whichever is the earlier.”

*See Explanatory Note (b)*

7.2 “That authority be and is hereby given to the directors of the Company to:

- (A) offer and grant options in accordance with the provisions of the Techcomp Employee Share Option Scheme (the “Scheme”) (including options at a subscription price per share set at a discount to the market price of a share) and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Scheme, provided that the aggregate number of new shares to be issued pursuant to the Scheme shall not exceed 15% of the issued ordinary share capital of the Company from time to time; and
- (B) offer and grant options pursuant to and during the subsistence of the Scheme with subscription prices that are set at, or adjusted by, a discount to the market price of the shares (as determined with the provisions of the Scheme), provided that the subscription price of any share shall not be less than the nominal value of the share.”

*See Explanatory Note (c)*

8. To transact any other business which may properly be transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

SIN SHEUNG NAM GILBERT  
GRACE CP CHAN  
COMPANY SECRETARIES

Singapore,  
1 April 2006

## NOTICE OF ANNUAL GENERAL MEETING

### Proxies :-

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
3. An instrument appointing a proxy must be deposited at the Company's Share Transfer Agent's office, M & C Services Private Limited at 138 Robinson Road #17-00, The Corporate Office, Singapore 068906 not less than forty-eight (48) hours before the time appointed for holding the meeting.

### Explanatory Notes :-

- (a) Mr. Ho Yew Yuen, if re-elected as a director, will remain as a member of the Nominating, Remuneration and Audit Committees and will be considered as an independent director.
- (b) The ordinary resolution in item 7.1 above, if passed, will empower the directors from the date of the Annual General Meeting until the date of the next Annual General Meeting of the Company, to issue shares and convertible securities in the Company up to an aggregate number not exceeding 50% of the issued share capital of the Company, of which the aggregate number issued other than on a pro rata basis to all existing shareholders of the Company shall not exceed 20% of the issued share capital of the Company, as more particularly set out in the resolution.
- (c) The ordinary resolution in item 7.2 above, if passed, will authorise the directors of the Company to offer and grant options in accordance with the provisions of the Techcomp Employee Share Option Scheme and to allot and issue shares thereunder.

### NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATES

NOTICE IS ALSO HEREBY GIVEN that the transfer book and register of members of the Company will be closed on 6 May 2006 for the purpose of determining members' entitlements to the final dividend.

Duly completed transfers received by the Company's Share Transfer Agent, M & C Services Private Limited at 138 Robinson Road #17-00, The Corporate Office, Singapore 068906 up to 5.00 p.m. on 5 May 2006 will be registered before entitlements to the dividend are determined.

Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 5 May 2006 will be entitled to the dividend.

The dividend, if approved at the Company's Annual General Meeting to be held on 24 April 2006, will be paid on 18 May 2006.



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Lo Yat Keung (President and Executive Director)  
Chan Wai Shing (Vice President and Executive Director)  
Xu Guoping (Executive Director)  
Chen Bin (Independent Director)  
Ho Yew Yuen (Independent Director)  
Teng Cheong Kwee (Independent Director)

### NOMINATING COMMITTEE

Teng Cheong Kwee (Chairman)  
Ho Yew Yuen  
Chan Wai Shing

### REMUNERATION COMMITTEE

Teng Cheong Kwee (Chairman)  
Ho Yew Yuen  
Lo Yat Keung

### AUDIT COMMITTEE

Ho Yew Yuen (Chairman)  
Teng Cheong Kwee  
Xu Guoping

### COMPANY SECRETARIES

Chan C.P. Grace  
Sin Sheung Nam Gilbert

### 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

### SINGAPORE SHARE TRANSFER OFFICE

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

### AUDITORS

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