TECHCOMP (HOLDINGS) LIMITED
天美（控股）有限公司*

(*Incorporated in Bermuda with limited liability*)

Hong Kong Stock Code: 1298
Singapore Stock Code: T43

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2017

The board of directors (the "Board") of Techcomp (Holdings) Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended December 31, 2017 together with the comparative figures for the year ended December 31, 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended December 31, 2017

		2017	2016	Change
	Notes	*US$'000*	*US$'000*	*%*
Revenue	3	199,374	183,043	8.9
Cost of sales		(144,305)	(122,674)	17.6
Gross profit		55,069	60,369	(8.8)
Other income, gains and losses	4	1,093	(347)	n/a
Selling and distribution expenses		(18,829)	(19,506)	(3.5)
Administrative expenses		(31,101)	(32,467)	(4.2)
Research and development costs		(3,208)	(5,818)	(44.9)
Finance costs	5	(1,540)	(1,329)	15.9
Profit before taxation	6	1,484	902	64.5
Taxation	7	(498)	(288)	72.9
Profit for the year		986	614	60.6

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended December 31, 2017

	Note	2017 *US$'000*	2016 *US$'000*
Other comprehensive income (expense)			
Item that will not be reclassified to profit or loss:			
- Recognition of actuarial (loss) gain on defined benefit plan		(723)	63
Item that may be reclassified subsequently to profit or loss:			
- Exchange differences arising on translation of foreign operations		1,550	(3,462)
Other comprehensive income (expense) for the year		827	(3,399)
Total comprehensive income (expense) for the year		1,813	(2,785)
Profit (loss) for the year attributable to:			
Owners of the Company		1,335	1,013
Non-controlling interests		(349)	(399)
		986	614
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		2,155	(2,377)
Non-controlling interests		(342)	(408)
		1,813	(2,785)
Earnings per share (US cents)	9		
- Basic		0.48	0.37
- Diluted		0.48	0.37

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2017

	Notes	2017 *US$'000*	2016 *US$'000*
Non-current assets			
Property, plant and equipment	10	10,123	9,735
Goodwill		1,347	2,471
Other intangible assets		4,362	4,186
Deposits paid for acquisition of property, plant and equipment		910	804
Other assets		944	944
Deferred tax assets		16	15
		17,702	18,155
Current assets			
Inventories		44,649	41,117
Trade and other receivables	11	88,698	92,224
Tax recoverable		366	140
Bank balances and cash		14,438	16,612
		148,151	150,093
Current liabilities			
Trade and other payables	12	39,617	38,779
Tax payable		2,774	2,332
Bank borrowings - due within one year		34,076	39,718
Bank overdrafts		2,783	763
		79,250	81,592
NET CURRENT ASSETS		68,901	68,501
TOTAL ASSETS LESS CURRENT LIABILITIES		86,603	86,656
Non-current liabilities			
Bank borrowings - due after one year		3,150	5,826
Retirement benefit plans		1,192	446
Deferred tax liabilities		146	141
		4,488	6,413
NET ASSETS		82,115	80,243
Capital and reserves			
Share capital		13,772	13,772
Reserves		69,578	67,364
Equity attributable to owners of the Company		83,350	81,136
Non-controlling interests		(1,235)	(893)
TOTAL EQUITY		82,115	80,243

NOTES:

1 BASIS OF PREPARATION

This announcement has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB").

2 APPLICATION OF NEW AND AMENDMENTS TO IFRSs

The Group has applied the following amendments to IFRSs issued by the IASB for the first time in the current year:

Amendments to IAS 7	Disclosure initiative
Amendments to IAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to IFRS 12	As part of the annual improvements to IFRS standards 2014-2016 cycle

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and financial positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IAS 7 "Disclosure initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the followings to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

Except for the above, the IASB has issued a number of new and amendments to IFRSs and interpretations which are not yet effective for the year and have not been early adopted by the Group.

3 Revenue and segment information

The Group is organised into two operating divisions - distribution and manufacturing. These are also the divisions that the Group's chief operating decision maker focuses on for the purpose of resource allocation and assessment of segment performance.

The principal activities of the operating segments are as follows:

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

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

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

Segment revenue and results

	Distribution	Manufacturing	Total
	US$'000	*US$'000*	*US$'000*
For the year ended December 31, 2017			
REVENUE	128,948	70,426	199,374
RESULTS			
Segment results	4,405	(2,265)	2,140
Unallocated expenses			(656)
Profit before taxation			1,484
For the year ended December 31, 2016			
REVENUE	118,105	64,938	183,043
RESULTS			
Segment results	4,589	(3,038)	1,551
Unallocated expenses			(649)
Profit before taxation			902

Segment assets, liabilities and other information

	Distribution	Manufacturing	Total
At December 31, 2017			
ASSETS			
Segment assets	103,634	60,611	164,245
Unallocated assets			1,608
Consolidated total assets			165,853
LIABILITIES			
Segment liabilities	62,257	18,561	80,818
Unallocated liabilities			2,920
Consolidated total liabilities			83,738
OTHER INFORMATION			
Capital expenditure	297	2,404	2,701
Depreciation and amortisation	365	2,398	2,763
Allowance for doubtful debts	706	269	975
Allowance for inventories	-	116	116
Impairment loss recognised in respect of goodwill	-	847	847
Write-off of other intangible assets	-	57	57

3 Revenue and segment information (continued)

	Distribution *US$'000*	Manufacturing *US$'000*	Total *US$'000*
At December 31, 2016			
ASSETS			
Segment assets	109,070	58,072	167,142
Unallocated assets			1,106
Consolidated total assets			168,248
LIABILITIES			
Segment liabilities	67,467	18,065	85,532
Unallocated liabilities			2,473
Consolidated total liabilities			88,005
OTHER INFORMATION			
Capital expenditure	798	2,326	3,124
Depreciation and amortisation	382	2,491	2,873
Allowance for doubtful debts	389	191	580
Allowance for inventories	-	547	547
Impairment loss recognised in respect of goodwill	-	410	410
Write-off of other intangible assets	-	38	38

Geographical information

The Group operates principally in the People's Republic of China (the "PRC'') (including Hong Kong and Macau), Asia (other than the PRC) and Europe.

(a) The Group's revenue from external customers, based on location of customers, is detailed below

	2017 *US$'000*	2016 *US$'000*
PRC (including Hong Kong and Macau)	145,633	135,353
Asia (excluding PRC)	18,960	17,187
Europe	26,443	23,819
Others[(1)]	8,338	6,684
Total	199,374	183,043

(b) The Group's information about its non-current assets (excluding other assets and deferred tax assets) by geographic location, based on location of assets, is detailed below:

	2017 *US$'000*	2016 *US$'000*
PRC (including Hong Kong & Macau)	6,411	7,501
Europe	9,358	8,501
United States of America	960	1,179
Others[(2)]	13	15
Total	16,742	17,196

Notes:

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

(2) The geographic segment classified as "Others" includes Singapore and India.

4 Other income, gains and losses

	2017 US$'000	2016 US$'000
Foreign exchange gain (loss), net	783	(710)
Freight services income	122	28
Gain on disposal of property, plant and equipment	413	260
Impairment loss recognised in respect of goodwill	(847)	(410)
Interest income on bank deposits	20	24
Subsidies from government	120	86
Sundry income	482	375
	1,093	(347)

5 Finance costs

	2017 US$'000	2016 US$'000
Interest on bank borrowings and overdrafts	1,540	1,329

6 Profit before taxation

	2017 US$'000	2016 US$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration	918	670
Other staff costs	19,704	21,122
Share-based payment expenses for other staff	35	59
Contributions to retirement benefit schemes for other staff	3,368	3,489
Total staff costs	24,025	25,340
Allowance for doubtful debts	975	580
Auditor's remuneration	522	522
Amortisation of other intangible assets	1,578	1,424
Cost of inventories recognised as an expense	144,305	122,674
Depreciation of property, plant and equipment	1,185	1,449
Allowance for inventories	116	547
Impairment loss recognised in respect of goodwill	847	410
Write-off of other intangible assets	57	38

7 Taxation

	2017 US$'000	2016 US$'000
Current taxation:		
PRC Enterprise Income Tax	470	309
Others	34	53
	504	362
Deferred taxation	(6)	(74)
	498	288

The income tax expense for the Group is calculated at the respective statutory tax rates prevailing in the relevant jurisdictions.

Hong Kong and Singapore income tax are calculated at 16.5% and 17% (2016: 16.5% and 17%) of the estimated assessable profits for the year, respectively.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

8 Dividends

Dividends recognised as distribution during the year:

	2017 *US$'000*	2016 *US$'000*
2016 final - nil (2016: 2015 final - HK$0.028 per share)	-	989

The Board does not recommend the payment of any final dividend for the year ended December 31, 2017 (2016: nil).

9 Earnings per share

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

	2017 *US$'000*	2016 *US$'000*
Profit for the year attributable to the owners of the Company for the purpose of basic earnings per share	1,335	1,013

	Number of shares *'000*	 *'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	275,437	275,437
Add: Effect of dilutive potential ordinary shares relating to outstanding share options issued by the Company	1,781	1,599
Weighted average number of ordinary shares for the purpose of diluted earnings per share	277,218	277,036

10 Additions to property, plant and equipment

During the year, the Group incurred US$1,201,000 (2016: US$1,647,000) on the acquisition of property, plant and equipment.

11 Trade receivables

The Group normally allows credit terms ranging from 30 days to 90 days to its trade debtors. The aging of trade receivables, net of allowance for doubtful debts, bill receivables and trade bills receivables discounted with recourse based on the invoice date at the end of the reporting period is as follows:

	2017 *US$'000*	2016 *US$'000*
Less than 90 days	58,430	67,362
91 to 120 days	12,894	10,622
121 to 365 days	3,301	2,648
1 to 2 years	5,756	3,628
Over 2 years	1,205	2,286
	81,586	86,546

12 Trade payables

The credit period on purchases of goods generally ranges from of 30 days to 75 days. The aging of trade payables based on the invoice date at the end of the reporting period is as follows:

	2017	2016
	US$'000	*US$'000*
Less than 60 days	17,880	17,961
61 to 180 days	1,709	1,697
181 to 365 days	86	397
Over 365 days	306	283
	19,981	20,338

13 Contingent liabilities

As at December 31, 2017, the Group had no material contingent liabilities.

14 Event after the reporting period

Reference is made to the announcements of the Company dated May 23, 2017, June 23, 2017, July 21, 2017, August 21, 2017, August 28, 2017, September 28, 2017, October 27, 2017, November 20, 2017, November 30, 2017, December 29, 2017, January 16, 2018, January 26, 2018, January 31, 2018, February 26, 2018 and March 26, 2018 (the "Announcements") in relation to the possible disposal of the shares of the Company, representing approximately 40.8% of the issued share capital of the Company, held by the Controlling Shareholder and his spouse to the Possible Purchaser (the "Possible Disposal"). The Possible Disposal may involve a reorganisation of the Company which may be implemented by way of distribution or disposal of certain assets of the Company (the "Proposal"). Unless otherwise specified, capitalised terms used in this section shall have the same meanings as those defined in the Announcements.

On March 26, 2018, (i) the Controlling Shareholder and the Possible Purchaser continue to be in the process of negotiating the terms and conditions of the formal agreements in respect of the Proposal, (ii) the application materials in relation to the Proposal submitted by the Possible Purchaser are still subject to the approval of or endorsement by the State-owned Assets Supervision and Administration Commission at a local level in relation to the Proposal, and (iii) other than the Memorandum Of Understanding (which is not legally binding on the parties thereto, save for customary provisions relating to the Earnest Money, due diligence, legal expenses, legal validity, confidentiality, governing law and third party rights as stipulated thereunder), the related escrow agreement, the Extension Letter, the Second Extension Letter, the Third Extension Letter, the Fourth Extension Letter, the Fifth Extension Letter and the Sixth Extension Letter, no formal or legally binding agreement has been entered into between the Controlling Shareholder and the Possible Purchaser in respect of the Proposal.

Further announcement(s) will be made by the Company as and when appropriate or required in accordance with the Listing Rules and The Hong Kong Code on Takeovers and Mergers.

BUSINESS REVIEW

For the year ended December 31, 2017 ("FY2017"), our revenue for the distribution business increased by 9.2% to US$128.9 million from US$118.1 million for the year ended December 31, 2016 ("FY2016") due to the increase in demand for scientific equipment in the PRC and other Asia market. However, the segment results from the distribution business decreased by 4.0% to US$4.4 million in FY2017 from US$4.6 million in FY2016 due to lower gross margins as a result of unfavorable exchange rate and the change in product mix.

Our revenue for the manufacturing business increased by 8.5% to US$70.4 million in FY2017 from US$64.9 million in FY2016. The revenue growth in the manufacturing business has reduced the segment loss to US$2.3 million in FY2017 from loss of US$3.0 million in FY2016.

The profit attributable to the owners of the Company was US$1.3 million for FY2017, representing an increase of 31.8% as compared with US$1.0 million in FY2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Consolidated Statement of Profit or Loss and other Comprehensive Income

Revenue

The revenue in FY2017 increased by US$16.3 million or 8.9% to US$199.4 million from US$183.0 million in FY2016. We experienced growth in sales of our products over all major regions.

Cost of sales

Cost of sales in FY2017 increased by US$21.6 million or 17.6% to US$144.3 million from US$122.7 million in FY2016.

Gross profit and gross profit margin

Gross profit in FY2017 decreased by US$5.3 million or 8.8% to US$55.1 million from US$60.4 million in FY2016. Gross profit margin decreased to 27.6% in FY2017 from 33.0% in FY2016 due to the unfavorable exchange rate, increase in material costs and the change in product mix.

Other income, gains and losses

The other income, gains and losses had a gain of US$1.1 million in FY2017 compared to net losses of US$0.3 million in FY2016. The improvement was mainly due to the net exchange gain of US$0.8 million in FY2017 compared to the net exchange loss of US$0.7 million in FY2016, and the gain on disposal of property, plant and equipment which increased by US$0.2 million in FY2017.

Selling and distribution expenses

Selling and distribution expenses in FY2017 decreased by 3.5% to US$18.8 million from US$19.5 million in FY2016, mainly due to the cost control of the operations.

Administrative expenses

Administrative expenses in FY2017 decreased by US$1.4 million or 4.2% to US$31.1 million from US$32.5 million in FY2016, mainly due to the consolidation of manufacturing facilities in our gas chromatograph business.

Finance costs

Finance costs in FY2017 increased by 15.9% to US$1.5 million, as a result of the higher interest rate of bank borrowings during the year.

Profit for the year

In view of the above, the profit for the year increased by US$0.4 million from US$0.6 million in FY2016 to US$1.0 million in FY2017.

Consolidated Statement of Financial Position

Other intangible assets

Intangible assets increased by US$0.2 million from US$4.2 million as at December 31, 2016 to US$4.4 million as at December 31, 2017. The increase was mainly due to the addition of US$1.4 million during FY2017, which was partially off-set by the amortization of US$1.6 million and the exchange translation difference of US$0.4 million.

Inventories

Inventories increased by US$3.5 million from US$41.1 million as at December 31, 2016 to US$44.6 million as at December 31, 2017.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Trade and other receivables

Trade and other receivables decreased by US$3.5 million from US$92.2 million as at December 31, 2016 to US$88.7 million as at December 31, 2017.

Trade and other payables

Trade and other payables increased by US$0.8 million from US$38.8 million as at December 31, 2016 to US$39.6 million as at December 31, 2017.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at December 31, 2017, the Group's net current assets stood at US$68.9 million (December 31, 2016: US$68.5 million), of which the bank balances and cash were US$14.4 million (December 31, 2016: US$16.6 million). The Group's current ratio was 1.9 (December 31, 2016: 1.8).

Total bank borrowings and overdrafts as at December 31, 2017 was US$40.0 million (December 31, 2016: US$46.3 million). About 13.3% of the Group's bank borrowings was denominated in US dollars, 60.8% in Japanese Yen and the rest in other currencies such as British Pounds. The Group's gearing ratio stood at 48.7% as at December 31, 2017 (December 31, 2016: 57.7%), which is calculated based on the Group's total interest-bearing debts over the total equity. The Group adopts centralized financing and treasury policies in order to ensure that group financing is managed efficiently. The Group also regularly monitors its liquidity requirements, its compliance with lending covenants and its relationship with bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short term and long term.

PROSPECTS (A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months)

Management expects the market for scientific equipment in the PRC to grow in tandem with the continuing investments in research and development, food safety and environmental industries by the PRC government.

The Group's business outlook for the other key Asian markets, which includes India and Indonesia, is expected to remain stable. Management anticipates the European markets to remain challenging and foresees that the demand for the Techcomp's products to experience modest growth.

Given that a significant proportion of the Group's distribution products is sourced from Japan, with major procurements made in Japanese Yen, any significant movement in the Japanese Yen / US dollars forex rate would have a material effect on the gross margin of the Group's business.

EMPLOYEES AND EMOLUMENT POLICY

As at December 31, 2017, there were 865 (December 31, 2016: 864) employees in the Group. Staff remuneration packages are determined after considering the market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

DIVIDEND

In respect of the year ended December 31, 2017, no dividend is proposed by the directors of the Company.

CLOSURE OF REGISTER OF MEMBERS IN RESPECT OF SHAREHOLDERS' ENTITLEMENT TO ATTEND THE ANNUAL GENERAL MEETING

The Company will make a separate announcement to confirm the dates for the closure of register of members of the Company in respect of shareholders' entitlement to attend the forthcoming annual general meeting of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During FY2017, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities on the SEHK and SGX-ST.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed the unaudited financial statements of the Group for the financial year ended December 31, 2017, including the review of the accounting principles and practices adopted by the Group, and has also discussed the auditing, internal control and financial reporting matters. The Audit Committee has no disagreement with the accounting principles, treatments and practices adopted by the Group.

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance and accountability to shareholders. The Board believes that the Company and all its stakeholders can benefit from such practice and management culture. Therefore, the Company continuously reviews its corporate governance practice to comply, where applicable, with the principles and guidelines of the Corporate Governance Code (the "Hong Kong Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules").

In the opinion of the Board, the Company has complied with the applicable code provisions of the Hong Kong Code throughout FY2017, except for a deviation from Code Provision A.2.1 of the Hong Kong Code which is explained below.

Accordingly to Code Provision A.2.1 of the Hong Kong Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Given the size of the Company's current business operations and the 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 of the Company. In addition, three out of six directors are independent non-executive directors of the Company, and each of the three board committees of the Company is being chaired by an independent non-executive director of the Company and comprises members who are all independent non-executive directors of the Company. In view of these, the Board is of the opinion that there is an appropriate balance of power within the Board, and that there is no undue concentration of power and authority in a single individual. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are in line with those in the Hong Kong Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board confirms, having made specific enquiries with all directors of the Company that during the financial year ended December 31, 2017, all members of the Board have complied with the required standards of the Model Code for Securities Transactions by Directors of Listed Issuer as set out in Appendix 10 of the Listing Rules.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2017 as set out in this announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year ended December 31, 2017. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

FORECAST STATEMENT

No forecast statement has been previously disclosed to shareholders.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the shareholders of the Company will be held on a date to be fixed by the Board. Notice of annual general meeting will be published and despatched to the shareholders of the Company in due course.

DISCLOSURE ON THE WEBSITES OF THE EXCHANGES AND THE COMPANY

This announcement shall be published on the websites of the SEHK, the SGX-ST and the Company.

The annual report of the Company for the financial year ended December 31, 2017 will be despatched to the shareholders and published on the websites of the SEHK, SGX-ST and the Company in due course.

By Order of the Board
Techcomp (Holdings) Limited
Lo Yat Keung
President

Hong Kong, March 28, 2018

As at the date of this announcement, the executive directors of the Company are Mr. Lo Yat Keung (President), Mr. Chan Wai Shing and Mr. Christopher James O'Connor, and the independent non-executive directors of the Company are Mr. Seah Kok Khong, Manfred, Mr. Ho Yew Yuen and Mr. Teng Cheong Kwee.

**For identification purpose only*