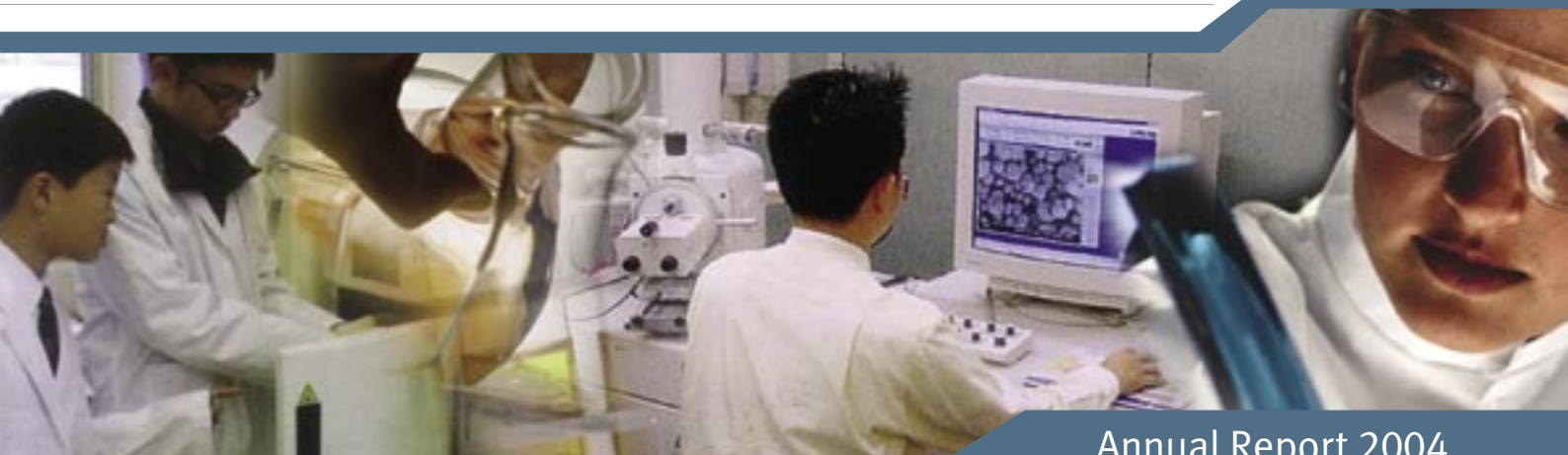


A Leading Scientific Equipment  
Integrated Solutions Provider



Annual Report 2004

Techcomp (Holdings) Limited



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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"
- Original Design Manufacturer ("ODM") for Hitachi, one of the top ten global analytical instrument companies<sup>1</sup>
- Major 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 16.1% of revenue and 35.7% of profit before tax in FY2004

<sup>1</sup> Source: Strategic Directions International, Inc.

#### DISTRIBUTION

- Distributes and services analytical instruments, life science equipment and laboratory instruments
- Exclusive distributorship agreements with leading scientific instrument companies such as Hitachi, Nuaire and Tecan
- Strong distribution presence through 11 liaison offices in the PRC and international strategic partners with sales to a global customer base
- Able to provide integrated solutions and turnkey laboratories to customers due to its strong technical capabilities as well as extensive product range
- Contributed 83.9% of revenue and accounted for 64.3% of profit before tax in FY2004



**In 2004, we expanded our sales network for our distribution business. We secured exclusive distribution rights of Hitachi's analytical and life science products in ASEAN, Indian, Australian and Middle East markets. Our close relation with Hitachi has also led to a technology imparting agreement with Hitachi Naka in 2004.**

### Dear Shareholders

2004 was a milestone year for Techcomp (Holdings) Limited (Techcomp). We were listed on the Singapore Exchange Securities Trading Limited on 12 July 2004. A total of 40 million shares were offered at S\$0.40 each, raising net proceeds of S\$12.2 million.

Thanks to the support of our investors, who recognized our strong business fundamentals and growth strategy, the retail tranche of 3 million shares was approximately 60 times subscribed, while the 37 million shares in our placement tranche were fully subscribed.

Techcomp is entering a new and exciting phase of growth with this IPO, and the funds raised will enable us to further grow our business.

I am also pleased to report to our shareholders a healthy set of financial results for 2004. We saw a 8.2% rise in revenue to US\$41.9 million in 2004 compared to US\$38.8 million in the previous year. Net profit rose a higher 22.9% to US\$3.7 million from US\$3.0 million in the year before. Group gross margin improved 2.3 percentage points to a healthy 31.0% due to higher portion of sales of higher margin manufactured products and lower purchase and production costs.

The Return on Equity for the Group was a healthy 22.8%. The Group's financial position has been enhanced with net debt to equity ratio falling to 0.4 times as at 31 December 2004 compared to 1.2 times as at 31 December 2003.

In 2004, we expanded our sales network for our distribution business. We secured exclusive distribution rights of Hitachi's analytical and life science products in ASEAN, Indian, Australian and

Middle East markets.

Our close relation with Hitachi has also led to a technology imparting agreement with Hitachi Naka in 2004.

In the manufacturing business, we managed to secure two new ODM contracts for the manufacturing of Automatic Titrators and Infrared-based Oil Analyzers. Commercial production of these projects are expected to start in late 2005. We are pleased that 5 new products of our own brand name have also been launched in 2004.

We also delivered a turnkey laboratory in Hong Kong and we expect there will be continued demand for turnkey laboratories in Hong Kong, China as well as other Asian countries. We expect this business to be one of the contributors to our revenue growth in the foreseeable future.

### Shareholder Returns & Dividends

The Board of Directors is pleased to declare a first and final dividend of 0.95 US cents per ordinary share to reward its shareholders. This represents approximately 35% payout of Group profit.

### Outlook and Strategy

Our Group will continue to focus on four key strategies for growth in the manufacturing and distribution businesses:







### New Products

The Group will continue to identify new products and industries with growth potential and strive to be in the forefront of global market trends. In 2005, the Group plans to launch 5 new products;

- i. New model of Gas Chromatograph
- ii. High Performance Liquid Chromatograph
- iii. Table Top High Speed Centrifuge
- iv. New model of Atomic Absorption Spectroscope
- v. New model of UV-Spectrophotometer

The Group is also in negotiations for more turnkey laboratories in 2005.

### More ODM /OEM / Private Label Orders

The Group is well positioned to capture the growing MNCs in the PRC due to the latter's reputation as a lower production cost base. We will leverage on our established relationships with our partners like Hitachi.

With a proven manufacturing and R&D capabilities, we will also target new customers broadening our customer base in our manufacturing business.

We intend to further expand our manufacturing facilities in the PRC where the costs are relatively low. With higher sales volume of our manufactured products, we believe that increasing the scale of our manufacturing activities would further reduce our costs of operations and enable us to compete more effectively.

### Capturing the Growth in the PRC

The PRC market offers significant market potential. To further strengthen our position in the PRC, we intend to expand our sales and marketing team. We will also have more demonstration centres and new product introductions.

We also intend to provide more value-added services to our customers by strengthening our application support and engineering services and increase our ability to customize solutions.

### Expand International Distribution Networks

The exclusive distributorship with Hitachi will also complement our own product range. Our new Singapore subsidiary will help grow the regional distribution businesses. We will also grow established distributor networks in various Asian, Middle East countries. Such established networks in other Asian countries will also enhance the sales in our own brand name products

### Acknowledgments

Finally, I would like to take this opportunity to thank all our shareholders, business associates and customers and last but not least our employees for their invaluable contribution to the success of Techcomp in 2004. We look forward to your continuing support in the coming year.

**LO YAT KEUNG**  
President

### 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 19 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 our Director of Sales and General Manager of Techcomp (Shanghai) Trading. In addition to being responsible for the overall sales operations in the PRC and Hong Kong, he is also in charge of the development of our export business for international sales. 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 the General Manager of Techcomp (Shanghai) Manufacturing and is responsible for its day-to-day operations. 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.



**MR. CHEN BIN**

was appointed to the Board in 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 in 28 May 2004. He retired from Ernst & Young, Singapore as a senior partner in 1999 after nearly 40 years with the firm. In addition to serving as an audit and client services partner, he has also served as the firm's Head of Audit Services, Head of Administration and as Technical Partner during his term of office. Mr Ho is currently the managing director of his own consultancy company in Singapore and acts as a Senior Adviser to Ernst & Young, Singapore. Mr Ho is a fellow of the Institute of Chartered Accountants in England and Wales, a fellow of the Association of Chartered Certified Accountants and a member of the Institute of Certified Public Accountants of Singapore. He is currently a Board member of the National Parks Board in Singapore and a director of its wholly owned subsidiary, Singapore Garden City Pte. Ltd. Mr Ho obtained his Association of Chartered Certified Accountants qualification in 1966 and his Institute of Chartered Accountants in England and Wales qualification in 1969.

**MR. TENG CHEONG KWEE**

was appointed to the Board in 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.



## Key Executive Officers

**MR. LEUNG KAI CHUNG TONY** is our Administration and Human Resources Manager. He joined us in August 1999 and is responsible for the administration, human resources and shipping logistics of the Group. From 1991 to 1992, Mr Leung was employed by Wing Tai Apparel Pte. Ltd. as assistant manager for operation restructuring before he joined Majestic Industries Pte. Ltd in 1992 as its accountant. In 1993, he joined Sungei Way Marketing (S) Pte Ltd as its accountant. From 1995 to 1999, he worked at Pacific Satellite International Ltd as its finance and administration manager. While at Pacific Satellite International Ltd, he was in charge of the finance and administration matters of Hong Kong, the PRC and Singapore. Mr Leung obtained an Honours Diploma in Management from Hong Kong Lingnan College in 1984 and a Masters of Business Administration in accountancy from The University of South Dakota, United States in 1990.

**MR. NGAN HON WING** is the Sales and Services Manager of Techcomp Ltd 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 an Account Manager 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.

**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 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 and 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 Beijing Techcomp Analytical Instrument, Co., 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.





### 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

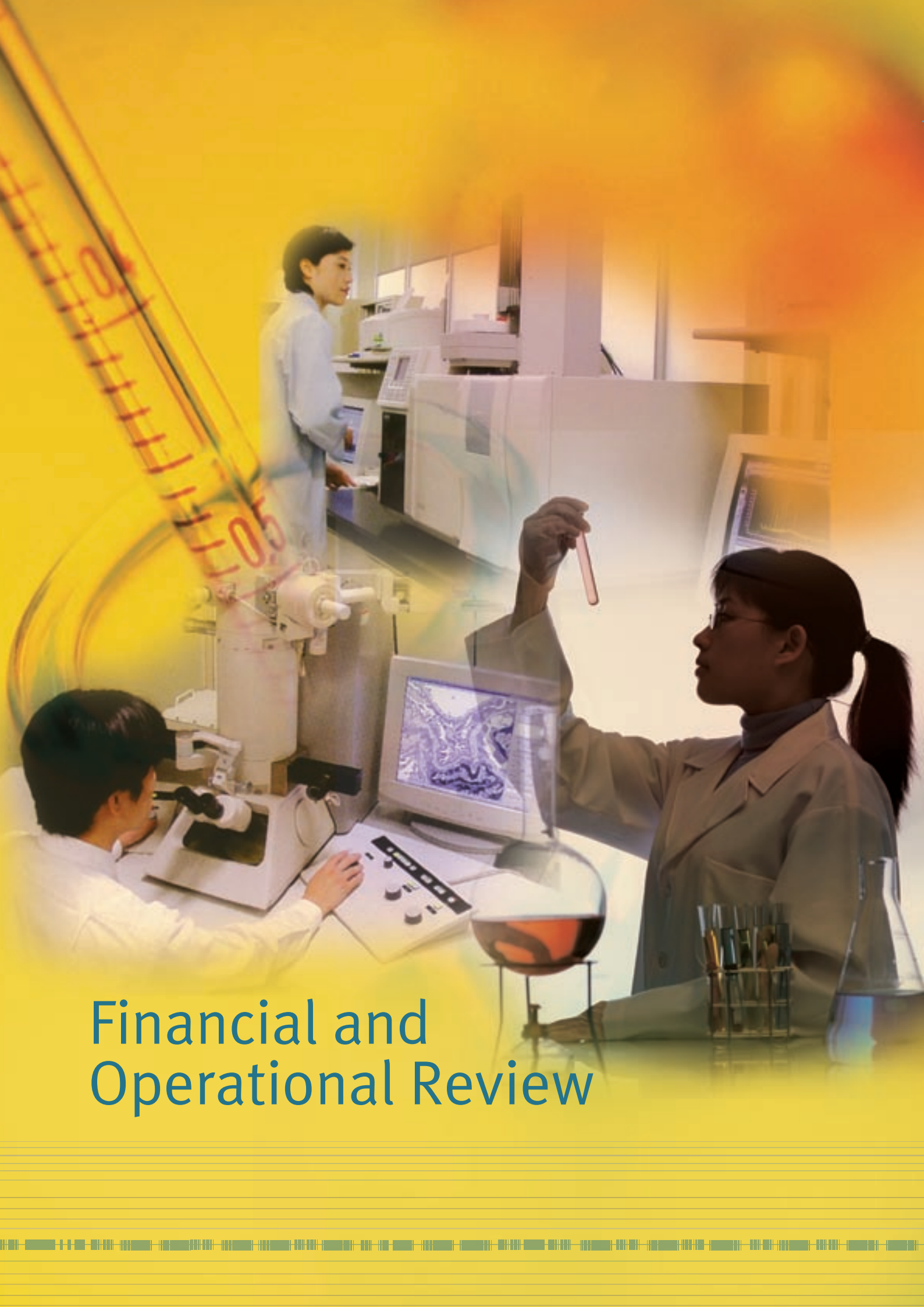
### SINGAPORE SHARE TRANSFER OFFICE

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

### AUDITORS

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

Partner-in-charge  
 Wong-Yeo Siew Eng  
 (Appointed since 23 March 2004)



# Financial and Operational Review

“Group revenue rose 8.2% to US\$41.9 million, buoyed by continued growing demand for analytical and scientific instruments and equipment in the PRC and contributions from our overseas operations, especially in the ASEAN countries.”

Group revenue rose 8.2% to US\$41.9 million, buoyed by continued growing demand for analytical and scientific instruments and equipment in the PRC and contributions from our overseas operations, especially in the ASEAN countries.

Revenue from our distribution business rose 6.7% to US\$35.2 million on the back of the strong performances of its core products as well as contributions from new products. Revenues from sales of manufactured products rose by an even stronger 16.3% to US\$6.8 million. For segmental breakdown, distribution business accounted for 83.9% of Group revenue while manufacturing business accounted for the rest of 16.1%. In terms of geographical breakdown, China contributed 85.5% to Group revenue while Hong Kong and Japan contributed 6.5% and 4.6% respectively in 2004.

Pretax profit of the distribution business was US\$2.6 million and US\$1.5 million for the manufacturing segment accounting for 64.3% and 35.7% of Group profit respectively for 2004. As sales of manufactured products command higher margins, overall group gross margin rose 2.3 percentage points to 31.0%. Gross profit was also boosted by the Group attaining greater economies of scale on purchases which was reflected by the marginal 4.6% rise in cost of sales to US\$28.9 million.

Reflecting the higher level of business, selling and administrative expenses rose 16.5% to US\$8.8 million. We increase our sales and marketing team to further strengthen our position in the PRC and increase market share there. Sales and marketing team was also established for our expansion of distribution network in other Asian countries, Australasia and Middle East countries. Finance costs rose 10.8% to US\$0.6 million. However, taxation fell 30.1% to US\$0.4 million reflecting the drop in the Group's effective tax rate to 9.9%.

Net profit rose 22.9% to US\$3.7 million from US\$3.0 million in the previous year. Group EPS was 3.15 US cents.

#### HEALTHY BALANCE SHEET

As at 31 December 2004, the Group has total assets and liabilities of US\$31.4 million and US\$15.3 million respectively.

As a result of the increase in revenue, trade receivables, prepayments and other receivables increased by 30.4% to US\$16.0 million as at 31 December 2004. The increase in trade receivables, prepayments and other receivables can also be partly attributed to the seasonal nature of our business.

Properties, plant and equipment rose 60.6% to US\$4.1 million due mainly to the purchase of properties, and equipment for our facilities in Hong Kong and Shanghai, PRC.

Trade payables, accruals and other payables decreased by 42.1% to US\$5.1 million mainly due to the decrease in the liabilities for bills receivables discounted with recourse resulting from sufficient working capital available from the proceeds after the listing of the Group.

In addition, trade payables decreased by 52.3% to US\$2.2 million mainly due to purchases financed by trust receipt loans.

Bank borrowings decreased by 7.2% to US\$10.0 million due mainly to the repayment of certain bank loans during the year. The Group's financial position has been enhanced with net debt to equity ratio improving to 0.4 times from 1.2 times in the previous year.





The total shareholders' equity was US\$16.1 million as at 31 December 2004 compared to US\$5.4 million as at 31 December 2003. The Group's net asset value (NAV) per share was 11.9 US cents as at 31 December 2004 compared to 5.4 US cents as at 31 December 2003.

### DISTRIBUTION

In 2004, we expanded our sales network for our distribution business. We secured exclusive distribution rights of Hitachi's analytical and life science products in ASEAN, Indian, Australian and Middle East markets. Our close relation with Hitachi has also led to a technology imparting agreement with Hitachi Naka in 2004.

The exclusive distributorship with Hitachi will also complement our own product range. Our new Singapore subsidiary will help grow our regional distribution businesses. We will also grow established distributor networks in various Asian, Middle East countries. Such established networks in other Asian countries will also enhance the sales in our own brand name products.

### MANUFACTURING

In the manufacturing business, we managed to secure new ODM contracts for the manufacturing of Automatic Titrators for Hiranuma Sangyo Ltd and Infrared-based oil analyzers for Atlantic Analytical Laboratory, Inc (USA). We also delivered a turnkey laboratory in Hong Kong.

The Group is well positioned to capture the growing outsourcing needs of multi-nationals in the PRC due to the latter's position as a lower production cost base. We will leverage on our established relationships with our partners like Hitachi.

With a proven manufacturing and R&D capabilities, we will also target new customers broadening our customer base in our manufacturing business.



# Competitive Strengths



## **EXPERIENCED MANAGEMENT TEAM**

- Run by an experienced management team, most of whom have more than 10 years of experience in the industry and are dedicated to operational excellence

## **STRONG DISTRIBUTION PRESENCE**

- Liaison offices in 11 cities in the PRC-Beijing, Chengdu, Chongqing, Fuzhou, Guangzhou, Jinan, Shanghai, Shenyang, Tianjin, Wuhan and Xi'an
- A strong distribution network that includes sales in the PRC, Hong Kong, Japan, Europe, the United States, Southeast Asia, South Asia and Australia

## **EXTENSIVE PRODUCT RANGE**

- Broad and comprehensive range of analytical instruments, life science equipment and laboratory instruments
- R&D capabilities and technical expertise allows the provision of integrated solutions to customers

## **COST EFFECTIVE MANUFACTURING PRESENCE IN THE PRC**

- Manufacturing presence in the PRC provides a cost advantage compared to competitors which operate in countries with higher production costs

## **LARGE & DIVERSIFIED CUSTOMER BASE**

- A large & diversified customer base from various industries, including academic, industrial, pharmaceutical, biotechnological and other research and laboratory markets, as well as the clinical and healthcare industries, agricultural and environmental industries, and government agencies

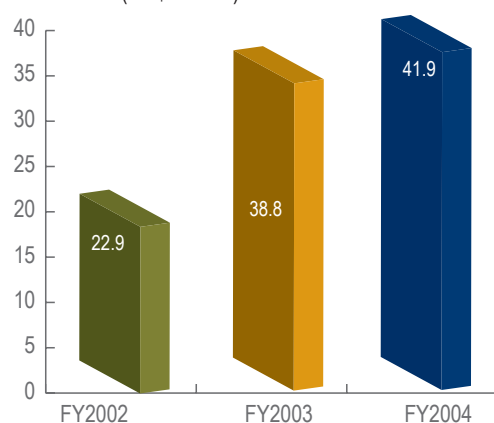


## Financial Highlights

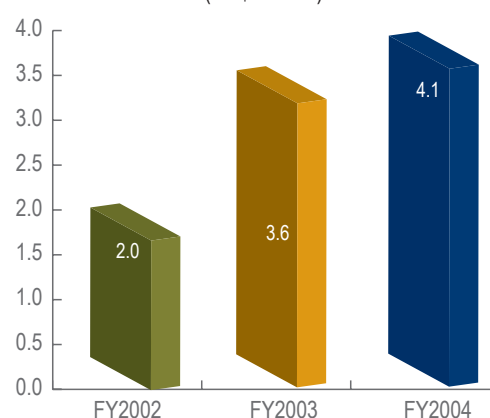
### SUMMARISED PROFIT & LOSS ACCOUNT (IN US\$ '000)

Year	2002	2003	2004
Turnover	22,851	38,752	41,917
Gross Profit	7,593	11,119	13,007
Profit before tax	1,983	3,569	4,081
Profit after tax	1,675	2,991	3,667
Earnings per share (US cents)	1.68	2.99	3.15

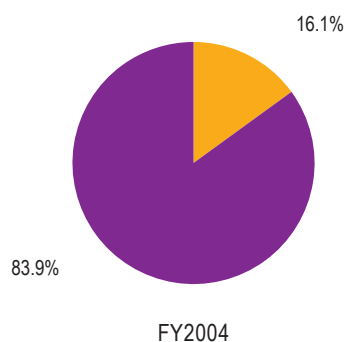
Turnover (US\$ million)



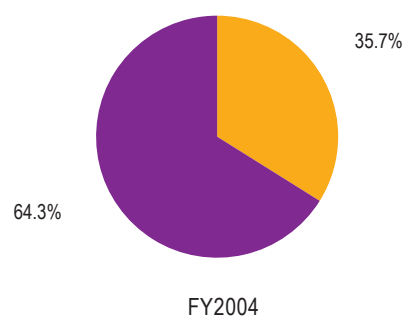
Profit before tax (US\$ million)



Turnover Breakdown by business segment



Profit before tax Breakdown by business segment



■ DISTRIBUTION

■ MANUFACTURING

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 professional and entrepreneurs with considerable industry experience. Profiles of the Directors are found on page 4 and 5 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. 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 provides for telephone and other electronic means of meetings of the Board as encouraged by the Code.

To assist in the execution of its responsibilities, the Board has formed three committees namely, an Audit Committee, a Remuneration Committee and a Nomination 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, a 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.

## 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

# Report on Corporate Governance

Since the Company's listing on 12 July 2004 to the end of 2004, the NC met once to review and adopt a set of Terms of Reference, which set out its responsibilities. It is responsible for the review of candidates for nomination or 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 the contribution of each individual director to the effectiveness of 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.

### 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 to ensure 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.

### 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

Since the Company's listing on 12 July 2004 to the end of 2004, the RC has met once to review and adopt a set of Terms of Reference, which set out its responsibilities. The RC will recommend to the Board a framework of remuneration for the Directors and key executives and determine specific remuneration packages for each Director. The RC's recommendations shall be made in consultation with the chairman of the board and submitted for endorsement by the board. All aspects of remuneration shall be within the RC's purview, including fixed and variable components, long term incentives such as share option plans and retirement benefits, and benefits in kind.

The Company had entered into separate service agreements with the executive directors for an initial period of three years commencing 26 January 2004, details of which have been disclosed in the section "Service Agreements" in the Prospectus dated July 1, 2004. The salaries 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 31 December 2004 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 31 December 2004.

The summary of 5 highest-paid employees' remuneration for the financial year ended 31 December 2004 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
Wang Meng	100	—	—	—	100

# The salary amount shown is inclusive of pension costs.

## Accountability and Audit

### Principle 10: Accountability and Audit

In presenting the interim and annual financial statements and the announcements of financial results 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 as the other members of the AC are independent non-executive directors. Mr Xu's membership does not impair the independence and effectiveness of the AC.

The AC has met 2 times since its establishment in 2004 and has reviewed the following, where relevant, with the executive directors and the external auditors of the Company:

- 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;
- the Group's financial and operating results and accounting policies;
- 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;
- 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;
- the co-operation and assistance given by the management to the external auditors;
- the recommendation on the re-appointment of the external auditors of the Company; and
- existing interested person transactions.

## Report on Corporate Governance

The AC has recommended to the Board the nomination of Deloitte & Touche 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 auditors have unrestricted access to the AC.

The AC confirms that it has undertaken a review of all the non-audit services provided by the Company's auditors during the financial year ended 31 December 2004, and is satisfied that such services would not, in the AC's opinion, affect the independence of the external auditors.

### Internal controls

#### Principle 12: Internal controls

The Board acknowledges its overall responsibility for maintaining a sound system of internal control 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

Considering the scale and nature of the Company's operations, the Board is satisfied that there is no significant weakness in the system of internal control of the Group. Therefore, an independent internal audit function has not been set up. However, the Board recognizes the importance of this function and have decided to set up an internal audit function within the Company that reports to the AC.

### 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. The Company sees the merits of holding briefings for investors and analysts as a means to promote better understandings of the Company's business and operations. However, it does so without compromising the 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.

### 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 providing guidance on when they may not deal in the securities of the Company. The Company Secretary issues circulars to directors and relevant officers reminding them not to deal in listed securities of the Company one month before the release of the annual and half-year results. They are also to refrain from dealing in the securities whenever they are in possession of unpublished material price-sensitive information.

### Interested Person Transactions

In compliance with the rules of the SGX, the Group confirms that except for the interested person transactions as disclosed under the section "Interested Person Transactions" in the Prospectus, there were no new interested person transactions since the listing of the Company on July 12, 2004. The unlimited joint and several personal guarantees provided by our President, Mr. Lo Yat Keung and his spouse, Ms Yung Yat, to secure the banking facilities to the Group as mentioned in the Prospectus have been released during the year.





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# Report of the Directors

The directors present their report together with the audited financial statements of the Company and the consolidated financial statements of the Group for the financial year ended December 31, 2004.

## 1 DIRECTORS

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

Lo Yat Keung	(Appointed on February 9, 2004)
Chan Wai Shing	(Appointed on February 9, 2004)
Xu Guoping	(Appointed on May 28, 2004)
Chen Bin	(Appointed on May 28, 2004)
Ho Yew Yuen	(Appointed on May 28, 2004)
Teng Cheong Kwee	(Appointed on May 28, 2004)

## 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 except as disclosed in paragraph 3.

## 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 of the Company and related corporations as recorded in the register of directors' shareholdings except as follows:

Name of directors and company in which interests are held	At May 28, 2004	At end of year	At January 21, 2005
Techcomp (Holdings) Limited	Ordinary shares of US\$0.05 each		
Lo Yat Keung			
- direct	75,000,000 <sup>(1)</sup>	74,990,000	74,990,000
- deemed	5,000,000	5,000,000	5,000,000
Chan Wai Shing			
- direct	7,000,000 <sup>(1)</sup>	6,480,000	6,480,000
Xu Guoping			
- direct	7,000,000 <sup>(1)</sup>	6,580,000	6,580,000
Chen Bin			
- direct	—	50,000 <sup>(2)</sup>	50,000
Ho Yew Yuen			
- direct	—	100,000 <sup>(2)</sup>	200,000

<sup>(1)</sup> These shares were held by the directors on completion of the Restructuring Exercise on May 28, 2004 and prior to the listing of the Company's shares on the Singapore Exchange Securities Trading Limited on July 12, 2004. Details of this Restructuring Exercise are set out in the section "Group Restructuring and Group Structure" in the Prospectus dated July 1, 2004.

<sup>(2)</sup> The two directors subscribed for these shares which comprise the reserved shares for independent directors referred to in the Prospectus.

## 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

On 28 May 2004, the Company adopted the Techcomp Employee Share Option Scheme ("Scheme"). The purpose for 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 comprising Mr. Teng Cheong Kwee, Mr. Ho Yew Yuen and Mr. 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 any 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 any 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.

No options were granted under the Scheme since the date of inception of the Scheme and up to January 21, 2005.

During the financial year, no options to take up unissued shares of the Company were granted and no shares of the Company were issued by virtue of the exercise of an option to take up unissued shares. There were no unissued shares of the Company under option as at the end of the financial year.

## 6 AUDIT COMMITTEE

The members of the Audit Committee during the financial year and at the date of this report are:-

Ho Yew Yuen (Chairman)  
Teng Cheong Kwee  
Xu Guoping

All the members of the Audit Committee are independent directors except for Xu Guoping who is an executive director of the Company.

The Audit Committee performed the functions specified in its terms of reference. The functions performed are detailed in the Report on Corporate Governance.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended the re-appointment of Deloitte & Touche as auditors of the Company at the forthcoming Annual General Meeting.

7 AUDITORS

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

ON BEHALF OF THE DIRECTORS

\_\_\_\_\_  
Lo Yat Keung

\_\_\_\_\_  
Chan Wai Shing

March 10, 2005

In the opinion of the directors, the financial statements of the Company and consolidated financial statements of the Group set out on pages 23 to 44 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, 2004 and of the changes in equity of the Group and of the Company and the results and cash flows of the Group 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 10, 2005



## Auditors' Report

### to the Members of Techcomp (Holdings) Limited

We have audited the financial statements of Techcomp (Holdings) Limited set out on pages 23 to 44 for the year ended December 31, 2004. 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, 2004 and the changes in equity of the Group and of the Company and of the results and cash flows of the Group for the year ended on that date.

Deloitte & Touche  
Certified Public Accountants

Wong-Yeo Siew Eng  
Partner

Singapore  
March 10, 2005

## Balance Sheets

December 31, 2004

	Note	Group		Company
		2004	2003	2004
		US\$'000	US\$'000	US\$'000
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and bank balances		3,967	2,122	—
Pledged bank deposits		—	2,382	—
Trade receivables, prepayments and other receivables	5	16,038	12,296	1,400
Inventories	6	6,444	6,023	—
Income tax recoverable		157	—	—
Total current assets		26,606	22,823	1,400
<b>Non-current assets:</b>				
Properties, plant and equipment	7	4,066	2,531	—
Subsidiaries	8	—	—	12,369
Deposits paid for acquisition of properties, plant and equipment		363	—	—
Intangible assets	9	383	—	—
Total non-current assets		4,812	2,531	12,369
<b>Total assets</b>		<b>31,418</b>	<b>25,354</b>	<b>13,769</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current liabilities:</b>				
Bank borrowings – Amount due within one year	10	9,219	8,147	—
Trade payables, accruals and other payables	11	5,085	8,775	6
Amount due to a director	12	—	21	—
Income tax payable		218	363	—
Total current liabilities		14,522	17,306	6
<b>Non-current liability:</b>				
Bank borrowings – Amount due after one year	10	809	2,654	—
<b>Shareholders' equity:</b>				
Issued capital	13	6,750	5,000	6,750
Reserves		9,337	394	7,013
Total shareholders' equity		16,087	5,394	13,763
<b>Total liabilities and shareholders' equity</b>		<b>31,418</b>	<b>25,354</b>	<b>13,769</b>

See accompanying notes to financial statements.

# Consolidated Profit and Loss Statement

Year ended December 31, 2004

	Note	Group	
		2004	2003
		US\$'000	US\$'000
Revenue	15	41,917	38,752
Cost of sales		(28,910)	(27,633)
Gross profit		13,007	11,119
Other operating income	16	391	475
Distribution expenses		(4,185)	(3,333)
Administration costs		(4,578)	(4,192)
Profit from operations	17	4,635	4,069
Finance cost	18	(554)	(500)
Profit before income tax		4,081	3,569
Income tax	19	(404)	(578)
Net profit for the year		3,677	2,991
Basic earnings per share (cents)	20	3.15	2.99

See accompanying notes to financial statements.

# Statements of Changes in Equity

Year ended December 31, 2004

	Issued capital	Share premium	Contributed surplus	Merger reserve	Currency translation reserve	Legal reserve	Capital reserve	Accumulated profits	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Group</b>									
<b>Balance at January 1, 2003</b>	5,000	—	394	(4,112)	26	—	—	3,018	4,326
Profit for the year	—	—	—	—	—	—	—	2,991	2,991
Dividend paid	—	—	—	—	—	—	—	(1,923)	(1,923)
<b>Balance at December 31, 2003</b>	5,000	—	394	(4,112)	26	—	—	4,086	5,394
Net proceeds for the issue of new shares [Note 13(c)]	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

a) Information relating to share premium and contributed surplus are set out on Note 14 (a) and Note 14 (b) respectively.

b) Information relating to merger reserve is set out in Note 2.

Merger reserve at January 1, 2003 has been determined as follows for the purpose of presenting comparative figures (Notes 1 and 2):

	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)
	<u>4,112</u>

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 shareholders' meeting.

See accompanying notes to financial statements.

# Statements of Changes in Equity

Year ended December 31, 2004

	Issued capital US\$'000	Share premium US\$'000	Contributed surplus US\$'000	Accumulated profits US\$'000	Total US\$'000
Company					
Balance at January 1, 2004	—	—	—	—	—
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 [Note 13(c)]	1,750	5,264	—	—	7,014
Profit for the period	—	—	—	1,355	1,355
Balance at December 31, 2004	6,750	5,264	394	1,355	13,763

See accompanying notes to financial statements.



# Consolidated Cash Flow Statement

Year ended December 31, 2004

	Group	
	2004	2003
	US\$'000	US\$'000
<b>Cash flows from operating activities:</b>		
Profit before income tax	4,081	3,569
Adjustments for:		
Depreciation	331	223
Interest income	(31)	(47)
Interest expense	554	500
Loss (Gain) on disposal of properties, plant and equipment	1	(20)
Amortisation of intangible assets	34	—
Operating profit before working capital changes	4,970	4,225
Amount due from a related party	—	95
Trade receivables, prepayments and other receivables	(3,742)	(6,862)
Inventories	(421)	(1,554)
Trade payables, accruals and other payables	(3,690)	4,888
Cash (used in) generated from operations	(2,883)	792
Income tax paid	(706)	(384)
Net cash (used in) from operating activities	(3,589)	408
<b>Cash flows from investing activities:</b>		
Purchase of properties, plant and equipment	(1,879)	(441)
Deposit for acquisition of properties, plant and equipment	(363)	—
Proceeds on disposal of properties, plant and equipment	12	35
Interest income received	31	47
Expenditure on product development	(417)	—
Net cash used in investing activities	(2,616)	(359)
<b>Cash flows from financing activities:</b>		
(Repayment of) Proceeds from bank borrowings	(798)	5,181
Repayment of amount from a director	—	211
Advance from a director	(21)	21
Proceeds from issue of new shares, net of expenses	7,014	—
Dividends paid	—	(1,923)
Interest paid	(554)	(500)
Net cash from financing activities	5,641	2,990
<b>Net foreign exchange adjustment on consolidation</b>	2	—
<b>Net (decrease) increase in cash</b>	(562)	3,039
Comprising:		
Net increase in cash and cash equivalents [Note (A)]	1,820	2,929
(Decrease) Increase in pledged bank deposits	(2,382)	110
Net (decrease) increase in cash	(562)	3,039
<b>(A) Cash and cash equivalents:</b>		
Cash and bank balances	3,967	2,122
Bank overdrafts (Note 10)	(153)	(128)
	3,814	1,994
Net increase in cash and cash equivalents	1,820	2,929

See accompanying notes to financial statements.

# Notes to Financial Statements

Year ended December 31, 2004

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 under the name of Techcomp (Holdings) Limited, and with its registered office at Canon's Court, 22 Victoria Street, Hamilton Hm12, Bermuda.

On July 12, 2004, the Company was admitted to the Official List of Singapore Exchange Securities Trading Limited ("SGX-ST").

The financial statements are expressed in United States dollars. The measurement currency is in United States dollars as the majority of the Company's and the Group's transactions are denominated 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 is summarised below. This exercise comprises:

- (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
	<u>600,000</u>

- (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
	<u>600,000</u>

- (e) the incorporation of Techcomp (Singapore) Pte Ltd as a subsidiary of Techcomp Scientific;

**1 GENERAL (Cont'd)**

- (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).

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.

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)].

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.

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).

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.

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.

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.

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 8 to the financial statements.
- 1.4 The financial statements of the Company and of the consolidated financial statements of the Group for the year ended December 31, 2004 were authorised for issue by the Board of Directors on March 10, 2005.

# Notes to Financial Statements

Year ended December 31, 2004

## 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 the provisions of the International Financial Reporting Standards ("IFRS").

**BASIS OF CONSOLIDATION** - The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to December 31 each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

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

Merger accounting is permissible since the restructuring of the Group involved entities under the common control of Mr. Lo Yat Keung and various other individual shareholders.

The effective date of the merger for accounting purposes predates January 1, 2003, the beginning of the financial year for which comparative financial statements are presented, as the members of the Group have been under common control prior to January 1, 2003.

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. The comparative figures for the preceding financial year have been presented on similar basis. For this purpose, the share capital and contributed surplus of the Company substitute the share capital of the previous holding company, Techcomp Limited [Note 1.2 (b)] and the difference is taken to merger reserve at January 1, 2003.

Acquisition accounting was previously used in presenting the pro forma financial statements in the prospectus issued in connection with the invitation to the public to subscribe for new shares in the Company.

Had acquisition accounting been adopted in 2004, it would result in the Group reflecting amounts of individual revenue and expense items only for the period after the completion of the restructuring in 2004. The profits of the members of the Group between January 1, 2004 and the date of completion of the restructuring would be credited to profit and loss statement as negative goodwill. The net profit of the Group would be the same using either acquisition or merger accounting. Similarly, the total shareholders' equity at December 31, 2004 would be the same under the two methods of accounting except for the reallocation of certain components of shareholders' equity.

The directors have adopted merger accounting in 2004 as reflection of the amounts of revenue and expenses for the full twelve months provide more useful information.

For any subsequent acquisition or disposal of subsidiaries, the results of subsidiaries acquired or disposed during the year will be included in the consolidated profit and loss statement from the effective date of acquisition or to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to re-align the accounting policies used with those used by other members of the Group. All significant intercompany transactions and balances between Group enterprises are fully eliminated on consolidation. Where a Group enterprise transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

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 ASSETS** – The principal financial assets are cash and bank balances, pledged bank deposits, trade and other receivables and bills receivable discounted with recourse. Trade and other receivables as well as bills receivables discounted with recourse are stated at their nominal values as reduced by appropriate allowances for estimated irrecoverable amounts.

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

**FINANCIAL LIABILITIES AND EQUITY** - Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include bank borrowings, trade and other payables and liabilities for bills discounted with recourse. Trade and other payables and liabilities for bills receivable discounted with recourse are stated at their nominal values. Bank loans and overdrafts are recorded at the proceeds received, net of transaction costs. Finance charges on borrowings are accounted for on an accrual basis and are added to the carrying amount of the borrowings to the extent that they are not settled in the period in which they arise. Equity instruments are recorded at the fair value of the consideration received, net of direct issue cost.

**INVENTORIES** - Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

**PROPERTIES, PLANT AND EQUIPMENT** - Properties, plant and equipment are carried at cost, less accumulated depreciation and any impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying amount.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The annual rates of depreciation are as follows:

	<b>Depreciation rates</b>	<b>Residual value</b>
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%

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

**IMPAIRMENT OF ASSETS** - At each balance sheet date, the Company and the Group review the carrying amounts of their assets to determine whether there is any indication that the 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 any impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company and the Group estimate the recoverable amount to which the asset belongs. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

**LEASES** - Rentals payable under operating leases are charged to the profit and loss statement on a straight-line basis over the term of the relevant leases.

**PROVISIONS** - Provisions are recognised when the Company or the Group have a present obligation as a result of a past event where it is probable that it will result in an outflow of economic benefits that can be reasonably estimated.

**REVENUE RECOGNITION** - Revenue from sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer and the amount of revenue and costs of the transaction can be measured reliably. Revenue from rendering of services that are of a short duration is recognised when the services are completed.

Interest income is accrued on a time proportionate basis, by reference to the principal amount outstanding and at the interest rate applicable, on an effective yield basis.

**FINANCE COST** - Finance cost is recognised in the profit and loss statement in the period in which they are incurred.

# Notes to Financial Statements

Year ended December 31, 2004

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

**RETIREMENT BENEFIT COSTS** – Liabilities for contributions to defined contribution retirement benefit plans (including state-managed retirement benefit schemes) are charged as an expense when incurred.

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.

**RESEARCH AND DEVELOPMENT COSTS** - Research expenditure is recognised as an expense when 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.

Development costs capitalised as intangible assets are amortised from the commencement of the commercial production on a straight-line basis over the period of its expected benefits, which normally does not exceed five years.

**INCOME TAX** - Tax expense is determined on the basis of tax effect accounting, using the liability method, and it is applied to all significant temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit except that a deferred tax benefit is not recorded unless there is reasonable expectation of realisation in the foreseeable future.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited to the profit and loss statement, 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 they relate to income taxes levied by the same tax authority.

**FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION** - Transactions in foreign currencies are recorded using the rates ruling on the dates of the transactions. At each balance sheet date, recorded monetary balances and balances carried at fair values that are denominated in foreign currencies are reported at the rates ruling at the balance sheet date. All realised and unrealised exchange adjustment gains and losses are dealt with in the profit and loss statement.

For inclusion in the consolidated financial statements, assets and liabilities of the subsidiaries are translated at the rates of exchange approximating those ruling at the balance sheet date. The profit and loss statements are translated at the average rates of exchange for the year, and the opening net investments in foreign subsidiaries are translated at the historical rates. The resulting currency translation differences are recorded in the currency translation reserve. On disposal of a foreign subsidiary, the accumulated currency translation differences will be recognised in the profit and loss statement as part of the profit or loss on disposal.

**CASH AND CASH EQUIVALENTS** - Cash and cash equivalents in the cash flow statement comprise cash and bank balances and deposits. Bank overdrafts are deducted from cash and cash equivalents. Pledged deposits are excluded from cash and cash equivalents.

**3 FINANCIAL INSTRUMENTS**i) Credit risk

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.

ii) Foreign exchange risk

The Group conducts its business in various foreign currencies, principally United States dollars, Renminbi, Hong Kong dollars and Japanese Yen.

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.

The Group occasionally enters into forward exchange contracts to manage foreign currency risks.

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.

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 except for interest-free advances provided by the Company to subsidiaries without fixed repayment terms (Note 8).

It is not practicable within the constraint of cost to reliably determine the fair value of these advances.

**4 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.

Some of the 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.

Significant related party transactions comprise:

	Group	
	2004	2003
	US\$'000	US\$'000
Purchases and expenses paid on behalf of a related party <sup>(1)</sup>	—	15
Billings to a third party made through a related party <sup>(1)</sup>	—	510

<sup>(1)</sup> In financial year 2003, Mr Lo Yat Keung, a shareholder of the Company, disposed his equity interest in the related party.



## Notes to Financial Statements

Year ended December 31, 2004

### 5 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company
	2004	2003	2004
	US\$'000	US\$'000	US\$'000
Trade receivables	13,114	8,451	—
Less: Allowance for doubtful debts	(325)	(296)	—
	12,789	8,155	—
Trade bills receivable discounted with recourse	1,860	3,141	—
Prepayments	293	382	—
Other receivables	1,096	618	—
Dividends receivable from a subsidiary	—	—	1,400
	16,038	12,296	1,400

### 6 INVENTORIES

	Group	
	2004	2003
	US\$'000	US\$'000
At cost:		
Raw materials	1,045	918
Work-in-progress	956	844
Finished goods	4,443	4,261
	6,444	6,023

### 7 PROPERTIES, PLANT AND EQUIPMENT

	Leasehold land and buildings	Furniture and fixtures	Machinery and equipment	Motor vehicles	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<u>Group</u>					
Cost:					
At beginning of year	2,242	601	444	292	3,579
Additions	1,489	102	119	169	1,879
Disposals	—	(6)	(20)	—	(26)
At end of year	3,731	697	543	461	5,432
Accumulated depreciation:					
At beginning of year	281	344	279	144	1,048
Charge to profit and loss	123	96	72	40	331
Disposals	—	(5)	(8)	—	(13)
At end of year	404	435	343	184	1,366
Depreciation charge for last year	63	91	44	25	223
Carrying amount:					
At beginning of year	1,961	257	165	148	2,531
At end of year	3,327	262	200	277	4,066

The Group has pledged leasehold land and buildings with carrying amounts of approximately US\$1,428,000 (2003 : US\$1,026,000) to certain banks as security for the banking facilities granted to the Group (Note 10).

#### Company

The Company has no properties, plant and equipment.

Year Ended December 31, 2004

## 8 SUBSIDIARIES

	Company	
	2004	2003
	US\$'000	US\$'000
Unquoted equity shares, at cost	5,394	—
Advances to subsidiaries	6,975	—
	12,369	—

Advances to subsidiaries are unsecured, interest-free and do not have fixed repayment terms. They are not expected to be repaid within the next twelve months.

Details of the Company's subsidiaries are described below:

Name of subsidiary	Principal activities/Country of incorporation and operation	Effective equity interest held by the Group	
		2004	2003
		%	%
<u>Held by the Company</u>			
Techcomp Scientific Limited <sup>(1) (4)</sup>	Investment holding/British Virgin Islands	100	—
Techcomp Instrument Limited <sup>(1) (4)</sup>	Investment holding/ British Virgin Islands	100	—
<u>Held by Techcomp Scientific Limited</u>			
Best Wit Consultancy Ltd <sup>(1) (4)</sup>	Provision of installation services/British Virgin Islands	100	—
Techcomp Limited <sup>(2)</sup>	Trading of analytical and laboratory instruments/Hong Kong	100	100
Techcomp (Tianjin) Ltd. <sup>(3)</sup>	International trade, consultancy and sales of clinical analytical instruments and basic medical testing equipment/ People's Republic of China ("PRC")	100	100
Techcomp (Guangzhou) Ltd. <sup>(3)</sup>	International entreport and commercial trade and exhibitions (within Free Trade Zone)/PRC	100	100
Techcomp (Shanghai) Ltd. <sup>(3)</sup>	International and entropot trade and commercial consulting service (within Free Trade Zone)/PRC	100	100
Techcomp (Singapore) Pte Ltd <sup>(1) (5)</sup>	Trading of analytical and laboratory instruments/Singapore	100	—
Well All Consultancy Ltd. <sup>(1) (4)</sup>	Provision of consultancy services/British Virgin Islands	100	—
<u>Held by Techcomp Instrument Limited</u>			
Shanghai Techcomp Instrument Ltd. <sup>(3)</sup>	Manufacturing of analytical and laboratory instruments/PRC	100	100
Beijing Techcomp Analysis Instrument Co., Ltd. <sup>(3)</sup>	Manufacturing of analytical and laboratory instruments/PRC	100	100

<sup>(1)</sup> Newly incorporated in 2004.

<sup>(2)</sup> Audited by Deloitte Touche Tohmatsu, Hong Kong.

<sup>(3)</sup> Audited by Deloitte Touche Tohmatsu CPA Ltd, People's Republic of China.

<sup>(4)</sup> Not required to be audited in country of incorporation.

<sup>(5)</sup> Audited by Deloitte & Touche, Singapore.

# Notes to Financial Statements

Year ended December 31, 2004

## 9 INTANGIBLE ASSETS

	<b>Group</b>
	<b>2004</b>
	US\$'000
Cost:	
At beginning of year	–
Additions	417
At end of year	417
Accumulated amortisation:	
At beginning of year	–
Charge to profit and loss	34
At end of year	34
Carrying amount:	
At beginning of year	–
At end of year	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 are amortised on a straight-line basis over the estimated remaining useful lives.

Amortisation of US\$34,000 has been included under administration cost in the consolidated profit and loss statement in 2004.

## 10 BANK BORROWINGS

	<b>Group</b>	<b>Company</b>
	<b>2004</b>	<b>2004</b>
	US\$'000	US\$'000
Trust receipt loans	6,877	–
Bank loans	2,293	–
Mortgage loan	705	–
Bank overdrafts	153	–
	10,028	–
Secured	705	–
Unsecured	9,323	–
	10,028	–

The borrowings are repayable as follows:

	<b>Group</b>	<b>Company</b>
	<b>2004</b>	<b>2004</b>
	US\$'000	US\$'000
On demand or within one year from year end	9,219	–
Within the second to fifth years	545	–
After five years	264	–
	10,028	–
Less: Amount due for settlement within 12 months (shown under current liabilities)	(9,219)	–
Amount due for settlement after 12 months	809	–

The Group has mortgaged its leasehold land and buildings of approximately US\$1,428,000 (2003:US\$1,026,000) (Note 7) and pledged bank deposits of approximately US\$Nil (2003 : US\$2,382,000) to certain banks to secure bank facilities 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.

Year Ended December 31, 2004

**11 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES**

	<b>Group</b>		<b>Company</b>
	<b>2004</b>	<b>2003</b>	<b>2004</b>
	US\$'000	US\$'000	US\$'000
Trade payables	2,198	4,611	—
Liabilities for trade bills discounted with recourse	1,860	3,141	—
Accruals	439	337	6
Other payables	588	686	—
	<u>5,085</u>	<u>8,775</u>	<u>6</u>

**12 AMOUNT DUE TO A DIRECTOR**

The amount due to a director was unsecured, interest-free and was fully repaid in 2004.

**13 AUTHORISED AND ISSUED CAPITAL**

	<b>Group</b>	<b>Company</b>
	<b>2004</b>	<b>2004</b>
	US\$'000	US\$'000
(a) Authorised:		
800,000,000 ordinary shares of US\$0.05 each	<u>40,000</u>	<u>40,000</u>
Issued and fully paid:		
135,000,000 ordinary shares of US\$0.05 each	<u>6,750</u>	<u>6,750</u>
	<b>Company</b>	
	<b>Number of</b>	<b>Amount</b>
	<b>ordinary</b>	
	<b>shares</b>	<b>US\$'000</b>
	<b>'000</b>	
(b) Movements in authorised and paid up capital during the year were as follows:		
Authorised:		
Balance at January 26, 2004 (date of incorporation of the Company): 12,000 ordinary shares of US\$1.00 each	<u>12</u>	<u>12</u>
Sub-division of each ordinary shares of US\$1.00 each into 20 ordinary shares of US\$0.05 each	240	12
Increase of authorised share capital by 799,760,000 ordinary shares of US\$0.05 each	<u>799,760</u>	<u>39,988</u>
Balance at December 31, 2004: 800,000,000 ordinary shares of US\$0.05 each	<u>800,000</u>	<u>40,000</u>
Issued and fully paid-up:		
Balance at January 26, 2004 (date of incorporation of the Company)	—	—
Issue of 12,000 ordinary shares of US\$0.05 each, nil paid on January 27, 2004	<u>12</u>	<u>—</u>
Sub-division of 12,000 ordinary shares of US\$1.00 each into 240,000 ordinary shares of US\$0.05 each paid by application of contributed surplus [Note 1.2 (g)]	240	12
Issue of 99,760,000 ordinary shares of US\$0.05 each pursuant to the Restructuring Exercise [Note 1.2(g)]	99,760	4,988
Issue of 35,000,000 ordinary shares of US\$0.05 each pursuant to the initial public offering [Note 13 (c)]	<u>35,000</u>	<u>1,750</u>
Balance at December 31, 2004: 135,000,000 ordinary shares of US\$0.05 each	<u>135,000</u>	<u>6,750</u>

# Notes to Financial Statements

Year ended December 31, 2004

13 AUTHORIZED AND ISSUED CAPITAL (Cont'd)

- (c) On July 12, 2004, pursuant to the initial public offer of shares in the Company, 35,000,000 new ordinary shares of US\$0.05 each were issued to the public at S\$0.40 per share and at a premium equivalent to approximately US\$ 0.1837 per ordinary share [Note 14(a)].
- (d) Issued capital of the Group at December 31, 2004 comprise 135,000,000 ordinary shares of US\$0.05 each. Issued capital of the Group at December 31, 2003 has been presented as described in Note 2 and as shown in the Statement of Changes in Equity.

14 SHARE PREMIUM AND CONTRIBUTED SURPLUS

	Company 2004 US\$'000
(a) Share premium has been determined as follows:	
Issue of 35,000,000 ordinary shares of US\$0.05 each at S\$0.40 per share and at a premium equivalent to approximately US\$0.1837 per ordinary share [Note 13(c)]	6,431
Less: Share issue expenses	(1,167)
	5,264

Included in share issue expenses are fees of US\$168,000 charged by auditors of the Group.

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 2004 US\$'000
(b) Contributed surplus:	
Balance at January 26, 2004 (date of incorporation of the company)	—
Arising from the issuing of shares for the Restructuring Exercise [Note 1.2(g)]	406
Nil-paid shares credited as fully paid [Note 1.2(g)]	(12)
	394

15 REVENUE

	Group	
	2004 US\$'000	2003 US\$'000
Sale of analytical instruments, life science equipment and laboratory instruments	41,917	38,752

Year Ended December 31, 2004

**16 OTHER OPERATING INCOME**

	Group	
	2004	2003
	US\$'000	US\$'000
Maintenance service income	112	200
Technical service income	61	120
Gain on disposal of properties, plant and equipment	—	20
Interest income from non-related companies	31	47
Sundry income	90	88
Foreign exchange gain	97	—
	<u>391</u>	<u>475</u>

**17 PROFIT FROM OPERATIONS**

	Group	
	2004	2003
Number of employees at end of year	<u>319</u>	<u>227</u>

	Group	
	2004	2003
	US\$'000	US\$'000
Staff costs (including directors' remuneration)	3,140	2,586
Cost of defined contribution plans included in staff costs	246	233
Allowance for doubtful trade debts	29	181
Amortisation of intangible assets <sup>(1)</sup>	34	—
Depreciation of properties, plant and equipment	331	223
Directors' remuneration	289	274
Directors' fees	33	—
Net foreign exchange (gain) loss	(97)	380
Loss (Gain) on disposal of properties, plant and equipment	1	(20)
Audit fees paid/payable to:		
Auditors of the Company	26	—
Other auditors	93	77
Non-audit fees paid to:		
Auditors of the Company	—	—
Other auditors	39	—
Research and development costs	<u>145</u>	<u>397</u>

<sup>(1)</sup> This is included in administration costs in the consolidated profit and loss statement.

**18 FINANCE COST**

	Group	
	2004	2003
	US\$'000	US\$'000
Interest expense to non-related companies	<u>554</u>	<u>500</u>

# Notes to Financial Statements

Year ended December 31, 2004

## 19 INCOME TAX

	Group	
	2004	2003
	US\$'000	US\$'000
Current	401	578
Underprovision in prior years	3	–
	<u>404</u>	<u>578</u>

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% (2003 : 17.5%), the tax rates in different locations in PRC ranging from 15% to 33% (2003 : 15% to 33%) and the zero tax rate in British Virgin Islands, to profit before income tax as a result of the following differences:

	Group	
	2004	2003
	US\$'000	US\$'000
Income tax expense at the respective statutory tax rates	522	771
Non-taxable items	–	(2)
Underprovision in prior years	3	–
Utilisation of tax benefits previously not recognised	–	(70)
Deferred tax benefit not recognised	64	47
Partial tax rebate	(176)	(171)
Others	(9)	3
Total income tax expense	<u>404</u>	<u>578</u>

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

Tax loss carry forwards available for offsetting against future taxable income are as follows:

	Group	
	2004	2003
	US\$'000	US\$'000
Amount at beginning of year	382	199
Amount in current year	287	183
Amount at end of year	<u>669</u>	<u>382</u>
Deferred tax benefit on above not recorded	<u>156</u>	<u>92</u>

The potential tax savings relating to tax losses carried forward are recognised as deferred tax assets only when there is reasonable expectation of realisation in the foreseeable future. The tax loss carry forwards can be carried forward for an unlimited future period subject to the conditions imposed by the law.



**20 EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the Group's net profit for the year of US\$3,677,000 (2003: US\$2,991,000) divided by the weighted number of ordinary shares of 116,589,041 (2003 : 100,000,000) 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.

**21 LEASE COMMITMENTS**

	Group	
	2004	2003
	US\$'000	US\$'000
Minimum lease payments under operating leases included in the profit and loss statement	243	212

At the balance sheet date, the commitments of the Group in respect of non-cancellable operating leases for the rental of factories and office spaces with a term of more than one year are as follows:

	Group	
	2004	2003
	US\$'000	US\$'000
Operating leases with a term of more than one year:		
Within one year	110	163
In the second to fifth years inclusive	57	72

The Company has no lease commitments.

**22 CAPITAL COMMITMENTS**

At December 31, 2004, the Group has capital expenditure commitments of approximately US\$77,000 (2003 : US\$Nil) in respect of the acquisition of properties, plant and equipment contracted for but not provided for in the financial statements.

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

**23 CONTINGENT LIABILITIES**

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

At December 31, 2004, the Company provided corporate guarantees of approximately US\$10,028,000 to certain banks as security for banking facilities granted to its subsidiaries.

**24 SUBSEQUENT EVENTS**

Subsequent to the financial year-end, the directors recommended that a first and final dividend be declared at 0.95 US cents per ordinary share totalling US\$1,282,500 for the financial year just ended. The proposed dividends are not accrued as a liability as at December 31, 2004.

**25 SEGMENT INFORMATION**

The Group is organised into two business segments – distribution and manufacturing, which are the primary segments.

Distribution activities comprise distribution of analytical and laboratory instruments and life science equipment.

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

# Notes to Financial Statements

Year ended December 31, 2004

## 25 SEGMENT INFORMATION (Cont'd)

### (a) Analysis by business segment

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 comprise cost incurred to acquire properties, plant and equipment. Segment liabilities include all liabilities except bank borrowings and income tax payable. They consist principally of trade payables, accrued expenses and other payables.

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.

### Business Segment

	Distribution US\$'000	Manufacturing US\$'000	Eliminations US\$'000	Total US\$'000
<u>December 31, 2004</u>				
<b>REVENUE</b>				
External sales	35,161	6,756	—	41,917
Inter-segment sales	—	—	—	—
Total revenue	<u>35,161</u>	<u>6,756</u>	<u>—</u>	<u>41,917</u>
<b>RESULTS</b>				
Segment result	3,117	1,487	—	4,604
Interest expense	(518)	(36)	—	(554)
Interest income	26	5	—	31
Profit before income tax	2,625	1,456	—	4,081
Income tax				(404)
Profit after income tax				<u>3,677</u>
<b>ASSETS</b>				
Segment assets	23,665	7,596	—	31,261
Unallocated assets				157
Consolidated assets				<u>31,418</u>
<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				<u>15,331</u>
<b>OTHER INFORMATION</b>				
Capital expenditure	1,808	71	—	1,879
Depreciation of properties, plant and equipment	189	142	—	331

## 25 SEGMENT INFORMATION (Cont'd)

## (a) Analysis by business segment (cont'd)

	<u>Distribution</u>	<u>Manufacturing</u>	<u>Eliminations</u>	<u>Total</u>
	US\$'000	US\$'000	US\$'000	US\$'000
<u>December 31, 2003</u>				
<b>REVENUE</b>				
External sales	32,943	5,809	—	38,752
Inter-segment sales	—	4,562	(4,562)	—
Total revenue	<u>32,943</u>	<u>10,371</u>	<u>(4,562)</u>	<u>38,752</u>
<b>RESULTS</b>				
Segment result	2,779	1,243	—	4,022
Interest expense	(467)	(33)	—	(500)
Interest income	46	1	—	47
Profit after income tax	<u>2,358</u>	<u>1,211</u>	<u>—</u>	<u>3,569</u>
Income tax				(578)
Profit after income tax				<u>2,991</u>
<b>ASSETS</b>				
Segment assets	18,845	6,509	—	25,354
Unallocated assets	—	—	—	—
Consolidated assets				<u>25,354</u>
<b>LIABILITIES</b>				
Segment liabilities	7,361	1,435	—	8,796
Bank borrowings	<u>9,954</u>	<u>847</u>	<u>—</u>	<u>10,801</u>
	17,315	2,282	—	19,597
Unallocated liabilities				363
Consolidated total liabilities				<u>19,960</u>
<b>OTHER INFORMATION</b>				
Capital expenditure	384	57	—	441
Depreciation of properties, plant and equipment	105	118	—	223

# Notes to Financial Statements

Year ended December 31, 2004

25 SEGMENT INFORMATION (Cont'd)

(b) Analysis by geographical segment

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 includes the total cost incurred to acquire properties, plant and equipment.

	Group	
	2004	2003
	US\$'000	US\$'000
<u>Revenue</u>		
Hong Kong Special Administrative Region ("Hong Kong")	2,727	4,364
People's Republic of China ("PRC")	35,856	31,130
Japan	1,922	2,938
Others <sup>(1)</sup>	1,412	320
Total	41,917	38,752
<u>Segment assets</u>		
Hong Kong	19,489	18,637
PRC	11,759	6,717
Singapore	170	—
Total	31,418	25,354
<u>Capital expenditure</u>		
Hong Kong	1,557	15
PRC	279	426
Singapore	43	—
Total	1,879	441

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

## Statistics of Shareholdings

As at 14 March 2005

Authorised share capital	- US\$40,000,000
Issued and fully paid-up	- US\$6,750,000
Class of shares	- Ordinary shares of US\$0.05 each
Voting rights	- On a show of hands: 1 vote for each shareholder
	- On a poll: 1 vote for each ordinary share

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	0	0.00	0	0.00
1,000 - 10,000	580	69.63	2,193,000	1.62
10,001 - 1,000,000	244	29.29	17,672,500	13.09
1,000,001 and above	9	1.08	115,134,500	85.29
	833	100.00	135,000,000	100.00

### TOP 22 SHAREHOLDERS

No.	Name	No. of Shares	%
1	Lo Yat Keung	74,990,000	55.55
2	DBS Vickers Securities (S) Pte Ltd	7,277,500	5.39
3	Xu Guo Ping	6,580,000	4.87
4	Chan Wai Shing	6,480,000	4.80
5	HSBC (Singapore) Nominees Pte Ltd	6,155,000	4.56
6	United Overseas Bank Nominees Pte Ltd	5,312,000	3.94
7	Yung Yat	5,000,000	3.70
8	Wang Meng	2,000,000	1.48
9	Xia Yisheng	1,340,000	0.99
10	RBC (Asia) Ltd	1,000,000	0.74
11	Avtrade Trading Pte Ltd	670,000	0.50
12	OCBC Securities Private Ltd	639,000	0.47
13	Tse Po Wah	600,000	0.44
14	Lim Chye Huat @ Bobby Lim Chye Huat	550,000	0.41
15	Citibank Nominees S'pore Pte Ltd	542,000	0.40
16	DBS Nominees Pte Ltd	532,000	0.39
17	Silvaraju S/O Karupiah Kolinda	520,000	0.39
18	Tan Sung Sung	500,000	0.37
19	Kim Eng Securities Pte. Ltd.	488,000	0.36
20	Ee Hock Leong Lawrence	400,000	0.30
21	Lim Guan Chiang Albert	400,000	0.30
22	Ong Ah Whatt	400,000	0.30
		122,375,500	90.65

### Shareholdings Held in Hands of Public

Based on information available to the Company, approximately 30.9 % of the Company's shares listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public. Therefore the Company has complied with Rule 723 of the Listing Manual.

### 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	74,990,000	55.55	5,000,000 <sup>[1]</sup>	3.70

[1] 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.

## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Second Annual General Meeting of the Company will be held at Belimbing Room, Level 2, Singapore Marriot Hotel, 320 Orchard Road, Singapore 238865 on 29 April 2005 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 31 December 2004 together with the auditors' report thereon.
2. To declare a first and final dividend of 0.95 US cents per share for the financial year ended 31 December 2004.
3. To approve directors' fees of US\$33,000 for the financial year ended 31 December 2004.
4. To re-elect Mr. Lo Yat Keung, a director retiring pursuant to bye-law 104 of the bye-laws of the Company.  
*see Explanatory Note (a)*
5. To re-elect Mr. Xu Guoping, a director retiring pursuant to bye-law 107 of the bye-laws of the Company.  
*see Explanatory Note (b)*
6. To re-elect Mr. Chen Bin, a director retiring pursuant to bye-law 107 of the bye-laws of the Company.  
*see Explanatory Note (c)*
7. To re-elect Mr. Ho Yew Yuen, a director retiring pursuant to bye-law 107 of the bye-laws of the Company.  
*see Explanatory Note (d)*
8. To re-elect Mr. Teng Cheong Kwee, a director retiring pursuant to bye-law 107 of the bye-laws of the Company.  
*see Explanatory Note (e)*
9. To re-appoint Deloitte & Touche as auditors of the Company and to authorise the directors to fix their remuneration.

### Special Business

10. To consider and, if thought fit, to pass the following resolutions as ordinary resolutions, with or without any modifications:-
  - 10.1 "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);



- (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 share options or vesting of share awards which are 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 (f)*

10.2. "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 (g)*

11. 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,  
6 April 2005

## 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. Lo Yat Keung, if re-elected as a director, will remain as a member of the Remuneration Committee and will not be considered as an independent director.
- (b) Mr. Xu Guoping, if re-elected as a director, will remain as a member of the Audit Committee and will not be considered as an independent director.
- (c) Mr. Chen Bin, if re-elected as a director, will be considered as an independent director.
- (d) 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.
- (e) Mr. Teng Cheong Kwee, 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.
- (f) The ordinary resolution in item 10.1 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.
- (g) The ordinary resolution in item 10.2 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 10 May 2005 for the purpose of determining members' entitlements to the final dividend.

Duly completed transfers received by the Company's Registrar, M & C Services Private Limited at 138 Robinson Road #17-00, The Corporate Office, Singapore 068906 up to 5.00 p.m. on 9 May 2005 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 9 May 2005 will be entitled to the dividend.

The dividend, if approved at the Company's Annual General Meeting to be held on 29 April 2005, will be paid on 20 May 2005.



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