



天美

Techcomp (Holdings) Limited
天美(控股)有限公司*
(incorporated in Bermuda with limited liability)

Hong Kong Stock Code: 1298
Singapore Stock Code: T43



POISED FOR
GROWTH

TECHCOMP (HOLDINGS) LIMITED
ANNUAL REPORT 2012

* for identification purpose only

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Corporate Profile

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

MANUFACTURING

- Designs, develops, manufactures, distributes and services spectrophotometers, chromatographs, balances, deep freezers, ovens, incubators and centrifuges for a broad range of chemical analysis and life science applications
- Develops and manufactures various instruments marketed under brands named “Techcomp”, “Sanco”, “Dynamica” “Froilabo” “IXRF”, “Precisa”, “Edinburgh” etc.
- Develops and manufactures analytical and life science instruments for other companies
- Manufacturing facilities in Shanghai & Europe
- Dedicated Research and Development (“R&D”) team
- Contributed 29.7% of revenue in FY2012

DISTRIBUTION

- Distributes and services analytical instruments, life science equipment and laboratory instruments
- Exclusive distributorship agreements with leading scientific instrument companies
- Strong distribution presence through Hong Kong, Singapore, India, and 15 branch offices in the PRC. Products are also distributed via our distribution network to South East Asia, South Asia, Australia, Middle East region and Europe
- Able to provide integrated solutions and turnkey laboratories to customers due to its strong technical capabilities as well as extensive product range
- Contributed 70.3% of revenue in FY2012



EXPANDING OUR FOOTPRINTS IN ASIA & BEYOND

We managed to grow our presence in Europe and United States of America through increased stakes in Precisa Gravimetrics AG, Edinburgh Instruments Limited, and IXRF Systems Inc, companies incorporated in Switzerland, United Kingdom and United States of America respectively. Through these acquisitions and strong partnerships, together with our widespread network in China and Asian region, our global presence in the industry can be strengthened.



SHANGHAI, CHINA



LYON, FRANCE



ZURICH, SWITZERLAND

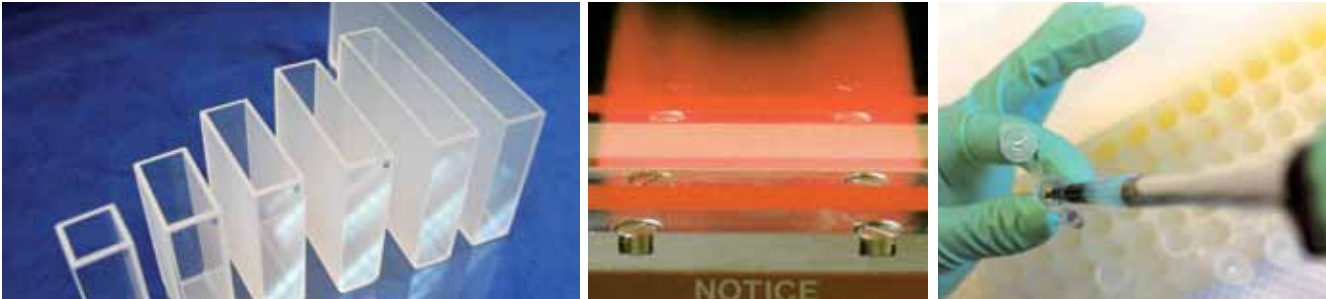


limited



HONG KONG OFFICE

Message to Shareholders



Dear Shareholders,

On behalf of the Board of Directors of Techcomp (Holdings) Limited, I am pleased to present the annual results of the Group for the year ended 31 December 2012 ("FY2012").

The dual listing of Techcomp on the Main Board of the Stock Exchange of Hong Kong Limited on 21 December 2011 has marked a new milestone for the Group and given it greater financial flexibility. Presently, we are well-placed to expand our business position in the supply chain, not only as a distributor, but also as a manufacturer. Through mergers and acquisitions conducted in US and Europe, the Group has successfully enhanced its manufacturing capacities and further strengthened its operation model – propelling the business with two drivers: distribution and manufacturing.

Financial Performance

During the past twelve months, the state of the world economy remained fragile as the economic recovery of major European economies has continued to be lack-lustre. Consumer confidence has declined notably due to the economic uncertainties. Tight fiscal policies implemented by European countries were partly blamed for the shrinking market demand. All these have resulted in the lower sales and reduced selling price of our products in the European markets. Notwithstanding the challenging operating environment, the Group continued to expand its business footprint in Europe pursuant to its long-term development plans. The acquisitions of established European corporations have allowed us to improve the awareness of our Group and diversify our product portfolio. In order to enhance the competitiveness of our products, we have devised a pricing strategy to boost sales in the European market. Thus, despite the difficult market environment, revenue of the manufacturing business reported only a slight decrease of 2.7% to US\$46.8 million for the year ended 31 December 2012. Facing external pressure, we are making an unwavering commitment to ensuring product quality as well as strengthening R&D activities. The increase in R&D spending together with a greasing pricing

strategy in the European market resulted in a 63.0% reduction in the segment results from the manufacturing business to US\$1.9 million in FY2012.

For FY2012, the distribution business remained as our major revenue source. Growth in major developing economies has decelerated, reflecting both external vulnerabilities and domestic challenges. In addition, the tense Sino-Japan relations have adversely affected sales of Japanese products in PRC. However, despite the challenging business environment, revenue of our distribution business increased by 4.6% to US\$110.9 million for the year ended 31 December 2012. The modest growth is mainly attributed to the satisfactory performance in the PRC market. Further, the Group's reputation and its competitive pricing strategy have contributed favorably to this encouraging result. In order to drive greater market awareness of the high-quality products and services offerings, the Group conducted various marketing activities during the year with the aim to expand its market share. The marketing and promotional expenses, coupled with escalating labor cost in China have led to lower profitability from the distribution business. Overall, net profit attributable to owners of the Company decreased 62.0% to US\$3.2 million in FY2012.

Development Strategies

The Group has clear development strategies, namely focusing on the PRC market while extending its presence to the global arena. Our goal is to become a global leading provider of analytical and life science instruments.

The Group has built a sound foundation in Asia with a well-established distribution network covering economies with high growth potential, such as China, Singapore and India. Leveraging on their in-depth knowledge of the industry, our team of experienced sales professionals in Asia allow us to be sensitive to the market trend and stay competitive in the industry consolidation. As the Asia-Pacific region accounts for only 10% of the entire global market share in

Message to Shareholders

scientific equipment industry (“SE”) and whilst the region is a high growth market, the Group is constantly exploring new overseas markets to build up a global distribution network. Going forward and to be consistent with its strategic marketing plan to promote business transformation, the Group will be putting greater emphasis on the manufacturing segment.

During the year, the Company consolidated the remaining 20% interest in Precisa and acquired 56% interest in IXRF, a company incorporated in United States of America. These acquisitions are expected to equip the Group with advanced technologies and wider experience, which will be conducive not only to strengthen the product lines targeting mid-market, but also to introduce high-tech products to the segmented markets. We believe that by sharing technical resources and sales network, we can significantly enhance both the enterprise value and business scale of these acquisitions as well as that of our Group. This strategy embraces our vision of establishing a global network of manufacturing and distribution capabilities.

The accelerated global integration has greatly reduced international trade barriers. Techcomp is well-positioned to address challenges and improve our competitiveness in the global market. In order to maximize the synergistic effects of our European acquisitions, we strive to expand our product range with value-added technologies and enhance our sales efficiency in European markets. We also seek to further exploit our established distribution network in Asia to increase the sales of the European manufactured products. In addition, we have implemented strict cost containment measures by moving certain labor intensive processes to regions that enjoy lower labor cost. The Group has also begun to centralize the sourcing of components and parts to achieve greater economies of scale.

Outlook

Benefitting from social progress and economic development, nations across the globe are paying higher attention to environmental protection, healthy life, production safety, product quality and energy conservation, etc. Governments, enterprises and customers are increasingly concerned about the issues of food additives, digital pollution and so on. For PRC, the government’s increasing investment in food safety, public healthcare, science and technology, tertiary education and continuous support for R&D spending will drive the demand for the analytical and life science instruments. According to Strategic Direct International Inc., China is expected to remain as the fastest growing country in the world for the scientific equipment (“SE”) market with the annual growth rate of SE amounting to around 8% in 2014. In 2013, the Group will continue to take full advantage of the

consolidation in scientific equipment industry so as to claim a larger market share.

Emerging markets in Asia are developing at a fast pace in tandem with local economic growth. The Group will try to achieve a favorable market position leveraging on its effective sales channels and high-quality products. We firmly believe the Group’s growth momentum can be sustained in 2013.

The coming year is expected to see warmer Sino-Japan relations, which will be good for the sales of Japanese products in PRC. Since a significant portion of the group’s distribution products are purchased in Japanese yen, the depreciation of Japanese Yen against USD, if continued, will also help to improve the Group’s gross margin in its distribution business.

2013 will be another challenging year for the Eurozone market. That notwithstanding, potential acquisition opportunities have emerged from the economic turmoil. In February 2013, we announced the acquisition of Edinburgh Instruments Limited in United Kingdom, a leading manufacturer of fluorescence spectroscopy. The acquisition will further strengthen the Group’s reputation and position in the scientific equipment industry.

In summary, Techcomp, with its global distribution network and products meeting international standards, will devote unrelenting efforts to become a leading provider of high-quality analytical and life science instruments in the year to come.

Appreciation

On behalf of the Board of Directors, I would like to thank all our management and staff for the tremendous efforts they have made last year. You are our invaluable assets and the foundation of Techcomp’s success. Techcomp’s further development cannot be achieved without your continuous dedication.

In addition, I would also like to express my heartfelt gratitude to all our shareholders, clients and business partners for their continuing support all along. We will continue to work hard to achieve higher values for our shareholders and all other interest related parties.

Sincerely,

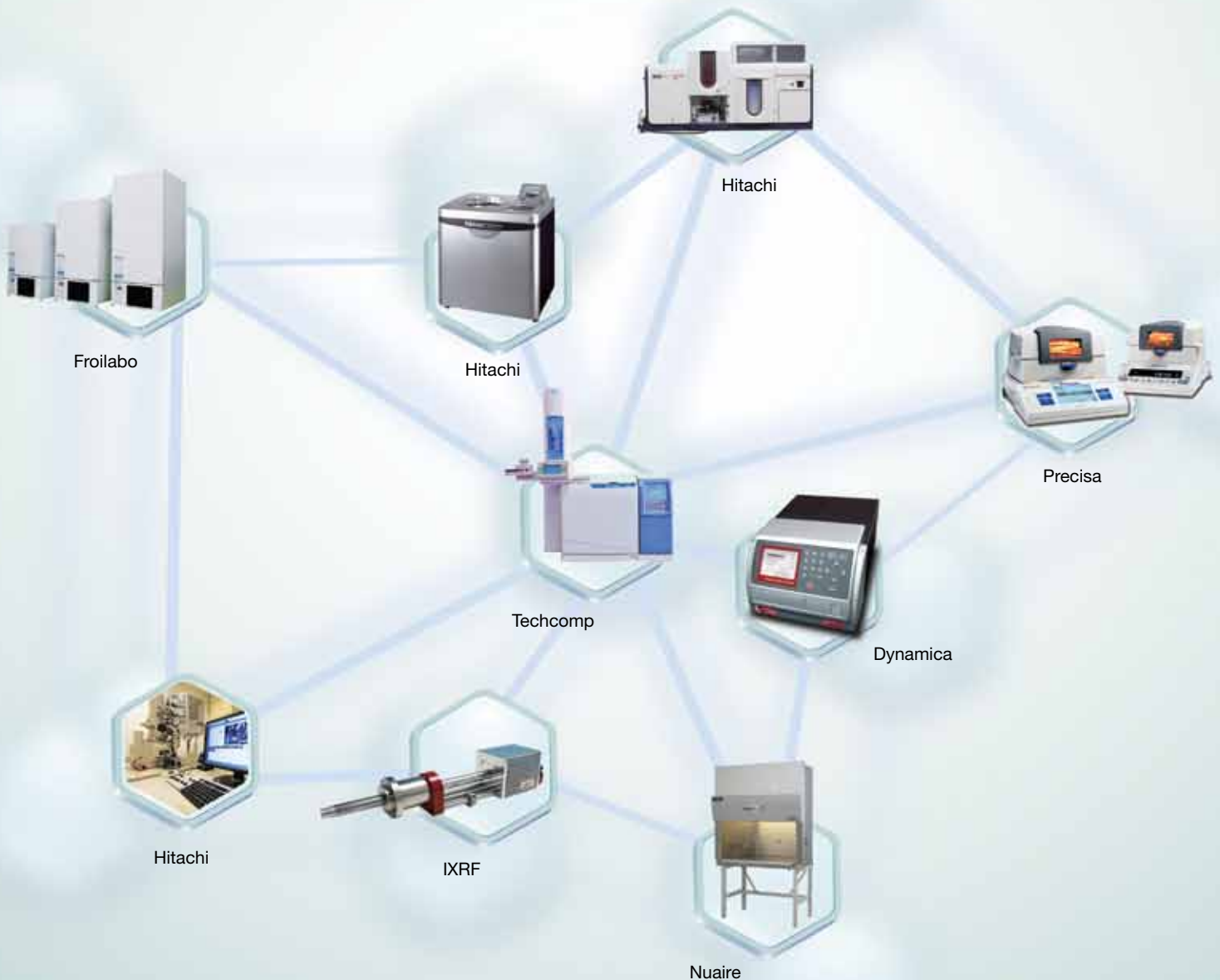
Lo Yat Keung

President

Hong Kong, 20 March 2013

BROADENING OUR BRAND OFFERING

We continue to broaden our well-recognised range of the world's leading brands of highly advanced analytical equipment through strong collaborations with our strategic partners, and through our strong distribution network, we can access to greater market, thereby generating stable revenue growth.



Corporate Information

Board of Directors

Lo Yat Keung
(President & Executive Director)

Chan Wai Shing
(Vice President & Executive Director)

Xu Guoping
(Executive Director)

Ho Yew Yuen
(Independent Non-executive Director)

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

Teng Cheong Kwee
(Independent Non-executive Director)

Nomination Committee

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

Remuneration Committee

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

Audit Committee

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

Joint Company Secretaries

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

Bermuda Resident Representative and Assistant Secretary

Appleby Corporate Services (Bermuda) Ltd
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Registered Office

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

Head office and principal place of business in Hong Kong

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

Singapore Share Transfer Agent

M & C Services Private Limited
112 Robinson Road
#05-01
Singapore 068902

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Service Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Auditors

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

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

Financial and Operations Review



For the year ended 31 December 2012 (“FY2012”), our revenue for the distribution business increased by 4.6% to US\$110.9 million from US\$106.0 million for the year ended 31 December 2011 (“FY2011”) mainly due to the increase in revenue in PRC. Despite the growth in revenue for the distribution business in FY2012, the segment results from distribution business decreased 83.1% to US\$1.1 million from US\$6.7 million in FY2011 due to lower gross margin for the year arising from the lower selling price of our distribution products and the increase in operating expenses in PRC.

Revenue for the manufacturing business decreased 2.7% to US\$46.8 million for the year ended 31 December 2012 from US\$48.1 million for the year ended 31 December 2011. The decrease in revenue was mainly attributable to the decrease in sales by US\$1.9 million in European markets. The segment results from the manufacturing business decreased by 63.0% to US\$1.9 million in FY2012 from US\$5.1 million in FY2011. This resulted from the lower sales and reduced selling price in the European market and increase in product development costs.

During the year, the Company acquired the remaining 20% interests in Precisa and a 56% interest in IXRF, a company incorporated in United States of America. These acquisitions are expected to enhance operational synergy for our manufacturing business.

The profit attributable to the owners of the Company was US\$3.2 million for FY2012, representing a decrease of 62.0% as compared with US\$8.4 million in FY2011. The decrease was mainly attributable to the decrease in gross profit margin by 3.0 percentage points and the higher operating expenses as a result of the increase in business related activities.

STATEMENT OF COMPREHENSIVE INCOME

Revenue

Revenue in FY2012 increased by 2.3% to US\$157.7 million from US\$154.1 million in FY 2011. The increase was mainly attributed to the increase in revenue from the distribution business by US\$4.9 million, which was offset by the decreases in revenue from the manufacturing business by US\$1.3 million.

Cost of sales

Cost of sales in FY2012 increased by 6.6% to US\$114.6 million from approximately US\$107.5 million in FY2011. The increase was mainly due to the increase in cost of finished products for the distribution business.

Gross profit and gross profit margin

Gross profit in FY2012 decreased by 7.6% to US\$43.1 million from US\$46.7 million in FY2011 resulting from the decline in gross profit margin. The overall gross profit margin achieved in FY2012 decreased by 3.0 percentage points to 27.3% compared with 30.3% in FY2011, primarily due to more pricing support for the promotion of the Group’s products in Europe and the distribution of Japanese products in PRC.

Other operating income (expenses)

Other operating income amounted to US\$1.7 million in FY2012 which included a net exchange gain of US\$1.2 million for the year whereas there were other operating expenses of US\$2.6 million incurred in FY2011. In FY2011, US\$2.8 million was incurred in connection with the Company’s dual primary listing of its shares in the SEHK and, a net foreign exchange loss of US\$0.5 million.

Distribution costs

Distribution costs in FY2012 increased by 20.9% to US\$14.7 million due to the increase in the sales and marketing activities and the expansion of the sales and service team during the year, especially in PRC and the United States of America.

Administrative expenses

Administrative expenses in FY2012 increased by US\$3.5 million or 15.7% to US\$25.7 million from US\$22.2 million in FY2011. The increase was mainly due to the increase in depreciation and amortisation, product development costs, and impairment of intangible assets amounting to US\$0.7 million, US\$0.6 million and US\$0.6 million respectively.

Finance costs

Finance costs in FY2012 increased by 87.0% to US\$1.3 million, mainly due to the higher average balances of bank borrowings and interest rates during the year.

Financial and Operations Review

Profit for the year

In view of the above, the profit for the year attributable to Shareholders of the Company decreased by US\$5.2 million or 62.0% from US\$8.4 million in FY2011 to US\$3.2 million in FY2012.

STATEMENT OF FINANCIAL POSITION

Properties, plant and equipment

Properties, plant and equipment comprise leasehold properties, machinery and equipment, furniture and fixtures and motor vehicles. The balance increased by US\$0.9 million from US\$12.3 million as at 31 December 2011 to US\$13.2 million as at 31 December 2012 mainly due to the reclassification of inventories of US\$1.4 million to properties, plant and equipment.

Intangible assets

Intangible assets comprise development costs incurred for the manufacture of analytical instruments and payments made to acquire technical know-how. The development costs and technical know-how have finite useful lives and are amortised on a straight line basis over their estimated useful lives. The balance decreased by US\$1.1 million from US\$6.1 million as at 31 December 2011 to US\$5.0 million as at 31 December 2012 mainly due to the amortization of US\$1.9 million and an amount of US\$0.6 million written off, which was partially off-set by the additions of US\$1.3 million during the year.

Inventories

Inventories increased by US\$0.1 million from US\$32.0 million as at 31 December 2011 to US\$32.1 million as at 31 December 2012. The inventories include raw materials and finished goods held to meet the expected production and sales of our products.

Trade and other receivables

Trade and other receivables increased by US\$2.8 million from US\$65.9 million as at 31 December 2011 to US\$68.7 million as at 31 December 2012 mainly due to the increase in trade bills receivable discounted with recourse by US\$3.7 million.

Trade and other payables

Trade and other payables decreased by US\$4.4 million from US\$27.4 million as at 31 December 2011 to US\$23.0 million as at 31 December 2012 mainly due to less purchases in the last quarter of the year compared to that of the corresponding year.

Cash and bank balances

Cash and bank balances increased by US\$8.5 million from US\$8.5 million as at 31 December 2011 to US\$17.0 million as at 31 December 2012 mainly due to the net cash inflow in operating and financing activities of US\$0.8 million and US\$11.3 million respectively, which were partially offset by the net cash outflow in investing activities of US\$3.6 million.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2012, the Group's net current assets stood at US\$61.4 million (31 December 2011: US\$50.4 million), of which the cash and bank balances were US\$17.0 million (31 December 2011: US\$8.5 million). The Group's current ratio was 2.0 (31 December 2011: 1.9).

Total bank borrowings as at 31 December 2012 reached US\$47.1 million (31 December 2011: US\$30.9 million), which included US\$12.8 million raised in 4Q2012 in preparation for funds needed for certain acquisitions and working capital purpose. The Group's gearing ratio stood at 72.2% as at 31 December 2012 (31 December 2011: 46.9%), which is calculated based on the Group's total interest-bearing debts over the total equity. The Group adopts centralized financing and treasury policies in order to ensure that group financing is managed efficiently. The Group also regularly monitors its liquidity requirements, its compliance with lending covenants and its relationship with bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

Employees and Emolument Policy

As at 31 December 2012, there were 879 (31 December 2011: 882) employees in the Group. Staff remuneration packages are determined after consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

Prospects

Although the Sino-Japan relations remained uncertain, the management believes the Company's business performance in 2013 will not be further impaired unless this situation deteriorates further.

Since a significant portion of the group's distribution products are purchased in Japanese yen, the depreciation of Japanese Yen against USD will help to improve the Group's gross margin in its distribution business.

The demand for the Group's products in PRC and Asia remains promising and will continue to be the growth driver for the group's revenue in 2013. Notwithstanding the weak trading condition in European and U.S. market, the Company will continue to leverage on its low cost manufacturing base in the PRC to achieve cost efficiency and operational synergy for its operations in the Group.

The recent acquisition of Edinburgh Instruments Limited in United Kingdom, a leading manufacturer of fluorescence spectroscopy, will further enhance the Group's reputation and position in the scientific equipment industry.

LEVERAGING ON OUR STRONG R&D TRACK RECORD & COST STRATEGIES

Backed by a strong research team, we continue to drive research for advanced scientific instruments and achieving cutting edge technological patents in analytical instruments. We will also continue to leverage on our current cost effective manufacturing base to achieve cost savings and operational synergies for our manufacturing facilities.



Board of Directors

Mr. Lo Yat Keung (勞逸強) (“Mr. Lo”), aged 54, is the President, an executive Director and the founder of the Group. Techcomp Hong Kong was incorporated by Mr. Lo in January 1991. Mr. Lo was appointed to the Board and nominated as President of the Company on 9 February 2004. He is responsible for the overall management and operations of the Group and for charting and reviewing the corporate directions and strategies. He is also responsible for making plans for the future development and growth of the Group; considering and implementing changes in the Group’s organizational structure and maintaining and developing good relations with the governmental agencies and public figures of any country which the Group has or will have operations therein. With over 20 years of experiences in the life science research and equipment industry, he has been instrumental in the growth of the Group. Mr. Lo graduated with a Bachelor of Science from the Chinese University of Hong Kong in 1981 and obtained a Master in Business Administration from the same university in 1986.

Mr. Chan Wai Shing (陳慰成) (“Mr. Chan”), aged 44, is the Vice-President and an executive Director. Mr. Chan was appointed to the Board and nominated as Vice-President of the Company on 9 February 2004. He is responsible for the overall distribution operations of the Group. He is also responsible for the overall sales operations in the PRC and Hong Kong and is in charge of the development of the export business for international sales. Prior to joining the Group, Mr. Chan worked as an executive officer with the Hong Kong Government from June 1990 to October 1990. He joined the Group in 1991 as a product specialist. In 1992, he was promoted to sales manager and his main responsibilities were leading the sales teams of the Group, promoting strategies and directions and building relationships with customers and distributors. In July 1996, he was appointed as a Vice- President which he assisted in the analysis of technical derivation and coordination of technical services and sales. Mr. Chan obtained a Bachelor of Science from the Chinese University of Hong Kong in 1990.

Mr. Xu Guoping (徐國平) (“Mr. Xu”), aged 63, the managing Director of Shanghai Techcomp Instrument and an executive Director. Mr. Xu was appointed to the Board on 28 May 2004. He is responsible for the overall house brand business of the Group. From 1968 to 1979, Mr. Xu worked as a supervisor in Shanghai Magnetic and Steel Limited. He was promoted to head its publicity division in 1974. From 1979 to 1994, Mr. Xu held various posts in the publicity, production and business administration department in Shanghai Analytical Instrument Factory which is a state-owned enterprise focuses on producing analytical instruments. Mr. Xu joined the Group in 1994. He obtained a Diploma in Chinese from the Shanghai Jing An District Vocational Industrial University in 1984 and a Diploma in Business Administration from the Central Television University in 1986.

Mr. Ho Yew Yuen (“Mr. Ho”), aged 69, is one of the independent non-executive Directors. He was appointed to the Board on May 28, 2004. He joined Ernst & Young Singapore as an audit trainee in 1961. He subsequently became a senior partner of Ernst & Young Singapore until his retirement in 1999. His clients ranged from large public-listed bluechip companies with extensive overseas operations in Asia (including China) as well as multinational corporations dealing

in various industries such as food and drinks, oil and gas, building and construction, and materials supplies. He has also served on the board of another listed company in Singapore as well as a statutory board in Singapore. Mr. Ho is currently the managing director of his own consultancy company in Singapore. Mr. Ho was admitted as a fellow of the Institute of Chartered Accountants in England and Wales in 1979 and, a fellow of the Association of Certified Accountants in 1980. Mr. Ho has obtained his Association of Chartered Certified Accountants qualification in the UK in 1966 and his Institute of Chartered Accountant in England and Wales qualification in 1968.

Mr. Seah Kok Khong, Manfred (“Mr. Seah”), aged 51, is one of the independent non-executive Directors. He was appointed to the Board on February 14, 2007. Mr. Seah has more than 15 years of investment banking and direct investments experience in Asia. He is presently the group chief operating officer of WhiteRock Medical Company Pte Ltd, a regional medical devices group based in Singapore. At WhiteRock, he is responsible for the day-to-day operational management and strategic business development of the Group. From 1996 to 2000, he served as the CEO of a Philippines based corporate advisory and securities firm funded by a major Singapore corporation. Prior to that, Mr. Seah held senior corporate finance positions at two leading investment banks that conducted corporate finance activities in the Asian region. Mr. Seah started his professional career in a firm of chartered accountants in London in 1984, where he progressed to serve as a management consultant advising SMEs in the UK until 1990. Mr. Seah graduated with first honors for his Bachelor of Science degree in Mathematics from the University of London in 1984 and obtained his Master of Business Administration from London Business School in 1992. He is a qualified chartered accountant and has been admitted as a fellow of the Institute of Chartered Accountants in England and Wales.

Mr. Teng Cheong Kwee (“Mr. Teng”), aged 59, is one of the independent non-executive Directors. He was appointed to the Board on May 28, 2004. From 1979 to 1989, he was with the Singapore Securities Industry Council Secretariat (“SIC”), first as an assistant secretary and subsequently as the SIC Secretary. SIC is an advisory and consultative body set up to administer the Singapore Code and Take-overs and Mergers in Singapore. From 1985 to 1989, he served concurrently as Assistant Director, and later as Deputy Director, of the Banking and Financial Institutions Department of the Monetary Authority of Singapore and assisted in the administration of the Securities Industries Act and supervision of domestic banks in Singapore. In 1989, he joined the Stock Exchange of Singapore (“SES”) as an Executive Vice President of SGX-ST. He later became an Executive Vice President and Head, Risk Management & Regulatory Division, of the Singapore Exchange (“SGX”) following the merger of the SES and Singapore International Monetary Exchange (“Simex”). Mr. Teng currently also serves as an independent director of several SGX listed companies namely, First Resources Limited, AEI Corporation Limited, Memtech International Limited StatsChipPac Limited, Junma Tyre Cord Company Limited and AVIC International Investments Limited. He obtained a Bachelor of Engineering (Industrial) (First Class Honours) and a Bachelor of Commerce from the University of Newcastle, New South Wales, Australia in 1977.

Senior Management

Mr. Fu Shi Jiang (付世江) (“Mr. Fu”), aged 46, is the Chief Executive Officer of Techcomp China. He is responsible for the business development and managing the day-to-day administrative and operational activities of the Company. Mr. Fu joined the Company in February 2012. Prior to this, he held various positions at Agilent Technologies Co., Ltd for the past 16 years of his career, including the Manager of Life Sciences & Chemical Analysis Department (Northern China Region). Mr. Fu obtained his Bachelor of Chemistry from the Northeast Normal University in 1988 and subsequently the Masters in Medicine from the China Medical University.

Mr. Li Hong, Don (李宏) (“Mr. Li”), aged 52, is the General Manager of Techcomp (Singapore) Pte Ltd since he joined the Group in 2004. He is in charge of business management and development for the region of South East Asia, and South Asia as well as the Middle East. Mr. Li started his career in China Science Academia. He then joined Bio-rad, a global leader in life sciences, for more than ten years. He obtained a Bachelor of Engineering (Precise Instrumentation) from Tianjin University in 1983.

Mr. Chris O'Connor (“Mr. O'Connor”), aged 46, is the CEO of Techcomp (Europe) Ltd. He is responsible for Froilabo, Precisa and Edinburgh Instruments as well as Dynamica distribution in Europe. Prior to joining the Group in 2011, Mr. O'Connor was Managing Director of Barloworld Scientific. He obtained a MA Hons in Engineering from Cambridge University in 1989.

Mr. Sin Sheung Nam, Gilbert (冼尚南) (“Mr. Sin”), aged 39, is the financial controller and one of the company secretaries of the Group. He is responsible for the overall accounting function of the Group. Prior to joining the Group in 2003, Mr. Sin worked in one of the big four international accounting firms as a Semi-Senior Accountant. Mr. Sin obtained a Bachelor of Business Administration from the Chinese University of Hong Kong in 1995. He is an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Tse Po Wah (謝寶華) (“Mr. Tse”), aged 50, is the Director of Marketing of Techcomp Hong Kong since he joined the company in 1999. He is responsible for the marketing of the Group's products in Hong Kong and PRC. Mr. Tse obtained a Bachelor of Science from the University of Hong Kong in 1985 and a Diploma of Business Management from the Chinese University of Hong Kong in 1992.

Prof S. Desmond Smith (“Prof. Smith”), OBE, FRS, FRSE, F.Inst.P, aged 82, is the Chief Scientific Officer (“CSO”) of Techcomp (Holdings) Limited. He is the Founder of Edinburgh Instruments Ltd and currently Founder and Chairman of Edinburgh Biosciences Ltd and past Head of Physics at Heriot-Watt University, Edinburgh where he created a leading research department. He invented the Selective Chopper Radiometer flown on the NASA satellite Nimbus4 as one example of his 220 scientific publications in Spectroscopic Physics and applications. Prof Smith has been a Fellow of the Royal Society since 1976.

Mr. Michel Sengel (“Mr. Sengel”), aged 48, is the Finance and Operations Director of Techcomp (Europe) Ltd. He is managing the Finance function for Froilabo, Precisa and Edinburgh Instruments and in charge of the organization for the European businesses. Prior to joining the Group in 2012, Mr. Sengel was Finance & Administration Director of a multi sites business in the plumbing fixtures industry and Finance & Administration Director of the worldwide Water business with the Sensus group. He graduated from EM Lyon Business School (1986), completed a MBA in Tax Law (1987) and is a chartered accountant (1991).

Mr. Xia Yisheng (夏奕生) (“Mr. Xia”), aged 57, is the Vice President of Techcomp China. He is responsible for marketing and regional management in the PRC. Mr. Xia joined the Chong Qing liaison office in 1993 and held the position of sales manager before becoming the marketing manager of Techcomp (Hong Kong) Trading in 1997. He assumed his present position in 2006. Mr. Xia obtained a Bachelor of Science from Chongqing Teachers' University in 1982 and a Master in Science from the Biology Institute, Nankai University in 1988.

Ms. Zhao Wei (趙薇) (“Ms. Zhao”), aged 46, is the Vice President of Techcomp China. Ms. Zhao joined the Group in 2000. She is responsible for the sales of entire China and the management and day-to-day operations of Beijing, Shenyang and Jinan offices. She obtained a Bachelor of Chemistry from the University of Science and Technology of China in 1991, a Master of Chemistry from Chinese Academy of Sciences in 1994, and full-time MBA from State University of New York, USA in 2003.

Report on Corporate Governance

Report on Corporate Governance

The Board of Directors (the “Board”) of Techcomp (Holdings) Limited (the “Company”) is committed to maintaining high standards of corporate governance to advance its mission to create value for the Company’s shareholders. This report sets out the corporate governance practices that are in place during the year ended 31 December 2012, with reference to the principles and guidelines of the Code of Corporate Governance 2005 (the “Singapore Code”) issued by the Council for Corporate Disclosure and Governance, Singapore and the former Code on Corporate Governance Practices during the period from January 1, 2012 to March 31, 2012 and the new Corporate Governance Code during the period from April 1, 2012 to December 31, 2012 (the “Hong Kong Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), as well as any deviation from any guidelines of the Hong Kong Code and Singapore Code together with an explanation for such deviation.

Board Matters

Principle 1: Effective Board to lead and control the Company

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

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

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

The meetings of the Directors in the financial year ended 31 December 2012 were as follows:-

	Board	AC	NC	RC	Annual General Meeting
No. of meetings held	4	4	1	1	1
No. of meetings attended					
<i>Executive Directors</i>					
Mr. Lo Yat Keung	4	–	–	–	1
Mr. Chan Wai Shing	4	–	–	–	1
Mr. Xu Guoping	3	–	–	–	1
<i>Independent non-executive Directors</i>					
Mr. Ho Yew Yuen	4	4	1	1	1
Mr. Seah Kok Khong, Manfred	4	4	1	1	1
Mr. Teng Cheong Kwee	4	4	1	1	–

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

Principle 2: Strong and independent element on the Board

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

Report on Corporate Governance

For the year ended 31 December 2012, the Board at all times complied with the minimum requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors (representing at least one-third of the Board) and complied with the requirement that these should include one such Director with appropriate professional qualifications of accounting or related financial management expertise. Furthermore, the Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers the independent non-executive Directors to be independent.

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

Particulars of interests of Directors who held office at the year ended 31 December 2012 in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are set out in the Report of the Directors on page 25 of this Annual Report.

Principle 3: Role of Chairman and Chief Executive Officer

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

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

Nominating Committee

Principle 4: Formal and transparent process for appointment of new Directors

Principle 5: Board Performance

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

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

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

The NC is guided by its Terms of Reference, which sets out its responsibilities. It is responsible for the review of candidates for nomination 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 Board effectiveness and the contribution of each individual Director to the effectiveness of the Board.

Report on Corporate Governance

The NC's function include the following:

- (i) To establish procedures for and make recommendations to the Board on all board appointments and re-appointments (particularly for the Chairman and CEO) and make recommendations to the Board regarding the succession plans.
- (ii) In respect of re-nominations, to have regard to the Director's contribution and performance (eg. attendance, preparedness and participation) including, if applicable, as an independent Director.
- (iii) Review the Board's structure, number of members and composition (including the members' skills, knowledge and experience) at least annually and make recommendation on any proposed change to the Board to complement the Company's corporate strategy.
- (iv) Where a Director has multiple board representations, to decide whether the Director is able to and has been adequately carrying out his duties as director.
- (v) To assess the independence of the independent non-executive directors; where the Board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it would set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why it believes the nominated director should be elected and the reasons why it considers him to be independent.
- (vi) To establish procedures for evaluation of Board's performance and assess the effectiveness of the Board as a whole, propose objective performance criteria, as approved by the Board that allows comparison with its industry peers, and address how the Board has enhanced long term shareholder value.
- (vii) To identify gaps in the mix of skills, experience and other qualities required in an effective Board and nominate or recommend suitable candidate(s) to fill these gaps.
- (viii) To ensure that all Board appointees undergo an appropriate induction programme.

For the financial year ended 31 December 2012, the NC carried out an assessment of the Board performance, and the findings were discussed with participation from the executive Directors.

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

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

The NC had recommended the re-nomination of Mr. Xu Guoping and Mr. Seah Kok Khong, Manfred for re-election at the forthcoming annual general meeting. The Board had accepted the NC's recommendation.

Continuing Development of Directors

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

Under provision A.6.5 of the Hong Kong Code, directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

Report on Corporate Governance

According to the training records maintained by the Company, the training received by each of the Directors during the year ended 31 December 2012 is summarized as follows:

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

Access to information

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

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

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

Remuneration Matters

Principle 7: Procedures for developing remuneration policies

Principle 8: Level and mix of remuneration

Principle 9: Disclosure on remuneration

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

Mr. Teng Cheong Kwee (Chairman)

Mr. Ho Yew Yuen

Mr. Seah Kok Khong, Manfred

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

Report on Corporate Governance

The RC's function include the following:

- (i) To recommend to the Board a framework of remuneration for the Board and executive officers; and either to determine, with delegated responsibility, remuneration packages for senior management and individual executive director, or to make recommendations to the Board on the remuneration packages for senior management and individual executive directors; such recommendations to be submitted for endorsement by the entire Board and should cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, benefits in kind and retirement rights and compensation, including compensation payable for loss or termination of their office or appointment.
- (ii) To review the remuneration packages of all managerial staff who are related to any of the executive directors or the chief executive officers.
- (iii) To review and approve the management's remuneration proposals with reference to the board's corporate goals and objectives.
- (iv) To make recommendations to the Board on the remuneration of non-executive directors.
- (v) To consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group.
- (vi) In the case of service contracts, to consider what compensation commitments the directors' and senior management officers' contracts of service, if any, would entail in the event of early loss or termination with a view to be fair and avoid rewarding poor performance. To ensure that it is consistent with contractual terms and is otherwise fair and not excessive.
- (vii) To review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate.
- (viii) To ensure that no director or any of his associates is involved in deciding his own remuneration.
- (ix) To recommend to the Board in consultation with senior management and the Chairman of the Board, any long term incentive scheme.
- (x) In respect of any share option schemes as may be implemented, to consider whether directors should be eligible for benefits under such incentive schemes.
- (xi) To ensure that any director or his affiliates shall not determine his own remuneration.
- (xii) To recommend shareholders on the appointment of directors whose service contracts shall be disclosed under the listing rules each of the Singapore Exchange Securities Trading Limited (SGX-ST) and the Stock Exchange of Hong Kong Limited (SEHK).
- (xiii) To consult the chairman and/or chief executive officer about their proposals relating to the remuneration of other executive directors and have access to professional advice if considered necessary.
- (xiv) To report to the Board summarizing the work performed by the RC members in carrying out their functions.

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

Report on Corporate Governance

A breakdown, showing the level and mix of each Director's remuneration for the financial year ended 31 December 2012 is as follows:-

Remuneration band	Salary %	Fees %	Bonus %	Other Benefits %	Total %
Less than S\$250,000					
Mr. Lo Yat Keung	82	–	18	–	100
Mr. Chan Wai Shing	61	–	11	28	100
Mr. Xu Guoping	58	–	12	30	100
Mr. Ho Yew Yuen	–	100	–	–	100
Mr. Teng Cheong Kwee	–	100	–	–	100
Mr. Seah Kok Khong, Manfred	–	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 2012.

The summary of 5 highest-paid employees' remuneration for the financial year ended 31 December 2012 is as follows:-

Remuneration band	Salary %	Fees %	Bonus %	Other Benefits %	Total %
S\$250,000 to S\$499,999					
Mr. Jurg Strub*	99	–	–	1	100
Less than S\$250,000					
Mr. Joel Cinier*	98	–	–	2	100
Mr. Sin Sheung Nam, Gilbert	61	–	11	28	100
Mr. Tse Po Wah	60	–	25	15	100
Ms. Zhaowei	57	–	39	4	100

The salary percentage shown is inclusive of pension costs.

* Mr. Jurg Strub and Mr. Joel Cinier had left the Group during the financial year ended 31 December 2012.

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

Accountability and Audit

Principle 10: Accountability and Audit

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

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

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

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

Report on Corporate Governance

Audit Committee

Principle 11: Audit Committee

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

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

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

- a) assist the Board with discharging its responsibility to:-
 - safeguard the Company's assets;
 - maintain adequate accounting records; and
 - develop and maintain effective systems of internal control and internal audit functions;
- b) review the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;
- c) review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance; and
- d) make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor.

The AC has undertaken a review of all the non-audit services provided by Deloitte & Touche LLP during the financial year ended 31 December 2012, and is satisfied that such services would not, in the AC's opinion, affect the independence of Deloitte & Touche LLP as the Company's external auditors. The AC has recommended to the Board that Deloitte & Touche LLP be nominated for reappointment as external auditors of the Company at the forthcoming Annual General Meeting. During the year ended 31 December 2012, the Company has paid an aggregate amount of approximately US\$436,000 (2011: US\$359,000) to the external auditor for its audit services, and non-audit fees of approximately US\$38,000 (2011: US\$40,000) to the external auditors for its other professional services rendered.

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

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

Corporate Governance Functions

Principle 12: Corporate Governance Functions

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

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

Report on Corporate Governance

Internal Controls

Principle 13: Internal Controls

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

The Group has engaged an external professional firm to review the internal controls in certain major subsidiaries in FY2012. Based on the internal controls established and maintained by the Group, reviews performed by the internal and external auditors and reviews performed and confirmed by management, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls, addressing financial, operational and compliance risk are adequate.

Internal audit

Principle 14: Internal audit

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

The Group has also, from time to time, appointed an external professional services firm, to perform reviews of the Group's system of internal procedures and controls to assess whether the Group's risk management, internal control and governance processes, as designed by the Company are functioning in the intended manner.

Communication with Shareholders

Principle 15: Communication with shareholders

Principle 16: Greater participation by shareholders

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

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

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

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

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

Report on Corporate Governance

Procedures for putting forward proposals at shareholders' meeting

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

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

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

Shareholders' enquiries

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

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

Dealing in Company's Securities

The Group adopted the required standards in the Model Code and prohibits the Directors and relevant officers to trade in the Company's securities, during the period beginning 60 and 30 days immediately before the date of the announcement of the full year or quarterly results respectively and ending on the date of the announcement of the relevant results. Directors and employees are also advised against dealing in its securities at any time when they are in possession of any unpublished material price-sensitive information of the Group.

The Board confirms, having made specific enquiries with all Directors that during the year ended 31 December 2012, all members of the Board have complied with the required standards of the Model Code.

Interested person transactions

During the financial year ended 31 December 2012, there were no interested party transactions. When a potential conflict of interest arises, the director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

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

Material Contracts

There were no material contracts of the Company or its subsidiaries involving the interest of any director or controlling shareholder subsisting at the end of the financial year ended 31 December 2012.

Report of the Directors

The directors (the “Directors”) of Techcomp (Holdings) Limited (the “Company”) are pleased to present their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) and the statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2012.

1 PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are set out in Notes 10 and 12 respectively to the audited consolidated financial statements. There were no significant changes in the nature of the Group’s principal activities during the year.

2 RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2012 are set out in the consolidated statement of comprehensive income on page 32. No interim dividend was paid during the year. No final dividend was proposed by the Directors in respect of the year ended December 31, 2012.

3 SUMMARY FINANCIAL INFORMATION

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements, is set out on page 91 of this Annual Report.

4 PROPERTIES, PLANT AND EQUIPMENT

Details of movements in the properties, plant and equipment of the Group during the year are set out in Note 11 to the audited consolidated financial statements.

5 MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2012, sales to the Group’s five largest customers accounted for approximately 11.5% (2011 : 9.5%) of the total sales for the year and the single largest customer accounted for approximately 3.5% (2011 : 2.8%); purchases from the Group’s five largest suppliers accounted for approximately 56.6% (2011 : 55.7% of the total purchases for the year and the single largest supplier accounted for approximately 42.2% (2011 : 44.1%).

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

6 SHARE CAPITAL AND SHARE OPTION SCHEMES

Details of the movements in the issued share capital of the Company and share option scheme during the year are set out in Notes 22 and 21 respectively to the audited consolidated financial statements.

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

Report of the Directors

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

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

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

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

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

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

7 PRE-EMPTIVE RIGHTS

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

8 PURCHASE, SALE OR REDEMPTION OF SHARES

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

9 DISTRIBUTABLE RESERVES OF THE COMPANY

Details of the movements in the reserves of the Company during the year are set out in Note 23 to the audited consolidated financial statements and in the consolidated statement of changes in equity.

10 DIRECTORS

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

Executive Directors

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

Report of the Directors

Independent non-executive Directors

Ho Yew Yuen
Seah Kok Khong, Manfred
Teng Cheong Kwee

Mr. Xu Guoping and Mr. Seah Kok Khong, Manfred will retire in accordance with Company's Bye-law 104 at the Company's forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

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

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

No Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

11 DIRECTORS' AND SENIOR MANAGERMENTS' BIOGRAPHIES

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

12 DIRECTORS' REMUNERATION

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

13 DIRECTORS' INTERESTS IN CONTRACTS

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

14 MANAGEMENT CONTRACTS

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

Report of the Directors

15 DIRECTORS' CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At December 31, 2012, the interests of the Directors and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long position

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

Name of Director	At January 1, 2012			At December 31, 2012		
	Directly beneficially owned	Through spouse	Approximate percentage of the issued share capital of the Company	Directly beneficially owned	Through spouse	Approximate percentage of the issued share capital of the Company
Lo Yat Keung	104,956,500	7,500,000*	48.37	104,956,500	7,500,000*	48.37
Chan Wai Shing	9,720,000	–	4.18	9,720,000	–	4.18
Xu Guoping	9,870,000	–	4.25	9,870,000	–	4.25
Ho Yew Yuen	300,000	–	0.13	300,000	–	0.13

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

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

Name of Director	At January 1, 2012	At December 31, 2012
	Number of Shares to be issued subject to the option	Number of Shares to be issued subject to the option
Chan Wai Shing	2,500,000	2,500,000
Xu Guoping	2,500,000	2,500,000

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

There was no change in the above-mentioned interest between the end of the financial year and January 21, 2013.

Save as disclosed above, as at December 31, 2012, none of the Directors and Chief Executive Officer had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

16 CONTRACT OF SIGNIFICANCE

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

Report of the Directors

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

Please refer to Statistics of Shareholdings set out on pages 92 and 93 for details on interests and short positions of 5% or more of the issued share capital of the Company that were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO. The Shareholdings Statistics do not form part of the audited consolidated financial statements.

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

18 INTERESTED PERSON TRANSACTIONS, CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

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

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

On December 1, 2011, the Company and Techcomp Jingke Trading (Shanghai) Co., Ltd. ("Jingke Trading") an associate of the Company, entered into a master supply agreement (the "Master Supply Agreement"), pursuant to which, among other things, the Company agreed to supply or procure other members of the Group to supply, and Jingke Trading agreed to purchase, analytical and laboratory instruments, mainly balance, manufactured or distributed by the Group. The Master Supply Agreement is for a term commencing from the date of the Master Supply Agreement and expiring on December 31, 2013. The total amount of sales made to Jingke Trading for the year ended December 31, 2012 under the Master Supply Agreement amounted to approximately US\$4.4 million (2011 : US\$3.6 million).

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

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

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

Report of the Directors

19 SUFFICIENCY OF PUBLIC FLOAT

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

20 AUDIT COMMITTEE

The Audit Committee of the Company is chaired by Ho Yew Yuen, an independent non-executive Director, and includes Teng Cheong Kwee and Seah Kok Khong, Manfred who are also independent non-executive Directors. The Audit Committee met 4 times since the last Annual General Meeting ("AGM") and has reviewed the following with the executive Directors and external auditors of the Company:

- a) assist the Board with discharging its responsibility to:
 - safeguard the Company's assets;
 - maintain adequate accounting records; and
 - develop and maintain effective systems of internal control and internal audit functions;
- b) review the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;
- c) review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance; and
- d) make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor.

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

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

21 EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, the Group entered into sales and purchase agreements to acquire 100% of equity interests in a company incorporated in England and Wales at a cash consideration of GBP3,200,000 (equivalent to approximately US\$4,960,000). Up to the date of approval of the report, the acquisition has been completed.

Report of the Directors

22 AUDITORS

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

ON BEHALF OF THE DIRECTORS

Lo Yat Keung
Director

Chan Wai Shing
Director

20 March 2013

Statement of Directors

In the opinion of the directors, the consolidated financial statements of the Group together with notes, and the statement of financial position and statement of changes in equity of the Company as set out on pages 31 to 90 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, 2012 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE DIRECTORS

Lo Yat Keung
Director

Chan Wai Shing
Director

20 March 2013

Independent Auditors' Report

To the Members of Techcomp (Holdings) Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Techcomp (Holdings) Limited (the Company) and its subsidiaries (the Group) which comprise the statements of financial position of the Group and the Company as at December 31, 2012, and the statement of comprehensive income, statement of changes in equity and cash flow statement of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 31 to 90.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2012 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Public Accountants and
Certified Public Accountants
Singapore

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

March 20, 2013

Statements of Financial Position

December 31, 2012

	Note	Group		Company	
		2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000
ASSETS					
Current assets					
Cash and bank balances	6	17,015	8,515	-	-
Trade and other receivables	7	68,668	65,918	-	-
Inventories	8	32,125	32,000	-	-
Income tax recoverable		161	196	-	-
Investments carried at fair value through profit or loss	9	-	557	-	-
Amount due from an associate	10	2,771	754	-	-
Total current assets		120,740	107,940	-	-
Non-current assets					
Properties, plant and equipment	11	13,230	12,292	-	-
Subsidiaries	12	-	-	23,632	24,854
Goodwill	13	1,839	512	-	-
Intangible assets	14	5,003	6,059	-	-
Available-for-sale investments	15	534	534	-	-
Deferred tax assets	16	88	208	-	-
Interest in an associate	10	223	384	-	-
Total non-current assets		20,917	19,989	23,632	24,854
Total assets		141,657	127,929	23,632	24,854
LIABILITIES AND EQUITY					
Current liabilities					
Bank borrowings and overdrafts	17	30,312	26,875	-	-
Liabilities for trade bills discounted with recourse	18	5,015	1,266	-	-
Trade and other payables	19	23,012	27,379	76	1,287
Income tax payable		1,025	748	-	-
Amount due to non-controlling interests	20	-	1,244	-	-
Total current liabilities		59,364	57,512	76	1,287
Non-current liabilities					
Bank borrowings	17	16,796	4,071	-	-
Deferred tax liabilities	16	234	360	-	-
Total non-current liabilities		17,030	4,431	-	-
Capital, reserves and non-controlling interests					
Share capital	22	11,625	11,625	11,625	11,625
Reserves		50,779	51,597	11,931	11,942
Equity attributable to owners of the Company		62,404	63,222	23,556	23,567
Non-controlling interests		2,859	2,764	-	-
Total equity		65,263	65,986	23,556	23,567
Total liabilities and equity		141,657	127,929	23,632	24,854

See accompanying notes to financial statements.

Consolidated Statement of Comprehensive Income

Year ended December 31, 2012

	Note	Group	
		2012 US\$'000	2011 US\$'000
Revenue	24	157,670	154,102
Cost of sales		(114,559)	(107,453)
Gross profit		43,111	46,649
Other operating income (expenses)	25	1,676	(2,638)
Distribution costs		(14,669)	(12,133)
Administrative expenses		(25,729)	(22,238)
Share of results of an associate	10	(163)	(285)
Finance costs	26	(1,348)	(721)
Profit before income tax		2,878	8,634
Income tax expense	27	(359)	(356)
Profit for the year	28	2,519	8,278
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		(611)	1,507
Share of exchange reserve of an associate	10	2	15
Other comprehensive income for the year, net of tax		(609)	1,522
Total comprehensive income for the year		1,910	9,800
Profit for the year attributable to:			
Owners of the Company		3,194	8,399
Non-controlling interests		(675)	(121)
		2,519	8,278
Total comprehensive income attributable to:			
Owners of the Company		2,596	9,782
Non-controlling interests		(686)	18
		1,910	9,800
Earnings per share (US cents)			
Basic	31	1.37	3.61
Diluted	31	1.33	3.51

See accompanying notes to financial statements.

Consolidated Statements of Changes in Equity

Year ended December 31, 2012

Group	Note	Share capital	Share premium	Contributed surplus	Merger reserve ^(a)	Currency translation reserve	Legal reserves ^(b)	Capital reserve ^(c)	Share option reserve	Equity reserve ^(d)	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
		11,625	8,099	394	(4,112)	2,484	274	3,003	589	(37)	32,260	54,579	2,952	57,531
		-	-	-	-	1,383	-	-	-	-	8,399	9,782	18	9,800
	30	-	-	-	-	-	-	-	-	-	(1,890)	(1,890)	(206)	(2,096)
	21	-	-	-	-	-	-	-	751	-	-	751	-	751
	21	-	-	-	-	-	-	-	(15)	-	15	-	-	-
		11,625	8,099	394	(4,112)	3,867	274	3,003	1,325	(37)	38,784	63,222	2,764	65,986
		-	-	-	-	(598)	-	-	-	-	3,194	2,596	(686)	1,910
	30	-	-	-	-	-	-	-	-	-	(1,848)	(1,848)	-	(1,848)
	21	-	-	-	-	-	-	-	434	-	-	434	-	434
	32	-	-	-	-	-	-	-	-	-	-	-	183	183
		-	-	-	-	-	-	-	-	(2,000)	-	(2,000)	598	(1,402)
		-	-	-	-	-	214	-	-	-	(214)	-	-	-
		11,625	8,099	394	(4,112)	3,269	488	3,003	1,759	(2,037)	39,916	62,404	2,859	65,263

- (a) Merger reserve represents the difference between the combined share capital of the entities in the merged group and the capital of the Company arising from a restructuring exercise undertaken in 2004.
- (b) The legal reserves is non-distributable and represents reserve fund and enterprise expansion fund of a subsidiary in the People's Republic of China ("PRC") that can be used to offset prior years' losses or convert into capital, provided such conversion is approved by a resolution at a shareholders' meeting.
- (c) Capital reserve represents a transfer of retained earnings by a PRC subsidiary in 2004.
- (d) Equity reserve represents effects of changes in ownership interests in subsidiaries when there is no change in control.

See accompanying notes to financial statements.

Statements of Changes in Equity

Year ended December 31, 2012

	Note	Share capital US\$'000	Share premium US\$'000 Note 23(a)	Contributed surplus US\$'000 Note 23(b)	Share option reserve US\$'000	Retained earnings US\$'000	Total US\$'000
Company							
Balance at January 1, 2011		11,625	8,099	394	589	6,207	26,914
Total comprehensive expense for the year		–	–	–	–	(2,208)	(2,208)
Dividends paid	30	–	–	–	–	(1,890)	(1,890)
Share-based payment expense	21	–	–	–	751	–	751
Effect of share options lapsed	21	–	–	–	(15)	15	–
Balance at December 31, 2011		11,625	8,099	394	1,325	2,124	23,567
Total comprehensive income for the year		–	–	–	–	1,403	1,403
Dividends paid	30	–	–	–	–	(1,848)	(1,848)
Share-based payment expense	21	–	–	–	434	–	434
Balance at December 31, 2012		11,625	8,099	394	1,759	1,679	23,556

See accompanying notes to financial statements.

Consolidated Cash Flow Statement

Year ended December 31, 2012

	Group	
	2012	2011
	US\$'000	US\$'000
Operating activities		
Profit before income tax	2,878	8,634
Adjustments for:		
Depreciation of properties, plant and equipment	1,456	1,223
Interest income	(15)	(26)
Finance costs	1,348	721
Net loss on disposal of properties, plant and equipment	7	1
Allowance for doubtful debts	412	294
Amortisation of intangible assets	1,866	1,526
Gain on disposal of investments carried at fair value through profit or loss	(13)	–
Share of results of an associate	163	285
Share-based payment expense	434	751
Intangible assets written off	598	–
Loss in fair value changes of investments carried at fair value through profit or loss	–	118
Operating cash flows before movements in working capital	9,134	13,527
Inventories	(1,123)	(7,200)
Trade and other receivables	(2,641)	(22,943)
Amount due from an associate	(2,012)	(36)
Trade and other payables	(6,191)	2,882
Trade bills discounted with recourse	3,749	459
Cash generated from (used in) operations	916	(13,311)
PRC Enterprise Income tax refunded (paid)	32	(241)
Hong Kong Profits tax refunded (paid)	4	(62)
Tax paid in other jurisdictions	(105)	(228)
Net cash from (used in) operating activities	847	(13,842)
Investing activities		
Product development costs paid	(1,335)	(1,515)
(Repayment of) advances from non-controlling interests	(1,244)	693
Acquisition of a subsidiary (Note 32)	(1,131)	–
Purchase of properties, plant and equipment	(503)	(621)
Proceeds on disposal of investments carried at fair value through profit or loss	570	–
Interest received	15	26
Proceeds on disposal of properties, plant and equipment	13	1
Net cash used in investing activities	(3,615)	(1,416)
Financing activities		
Proceeds from bank borrowings	119,386	82,653
Repayment of bank borrowings	(103,440)	(75,035)
Dividends paid	(1,848)	(1,890)
Acquisition of non-controlling interests in subsidiaries	(1,402)	–
Interest paid	(1,348)	(721)
Dividends paid to non-controlling interests	–	(206)
Net cash from financing activities	11,348	4,801
Net increase (decrease) in cash and cash equivalents	8,580	(10,457)
Cash and cash equivalents at beginning of the year	7,298	16,813
Effect of foreign exchange rate changes	52	942
Cash and cash equivalents at end of the year	15,930	7,298
Cash and cash equivalents comprised:		
Cash and bank balances (Note 6)	17,015	8,515
Bank overdrafts (Note 17)	(1,085)	(1,217)
	15,930	7,298

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended December 31, 2012

1 GENERAL

The Company (Registration No. 34778) was incorporated in Bermuda on January 26, 2004 under The Companies Act 1981 of Bermuda ("The Bermuda Companies Act") as an exempted company with limited liability and with its registered office at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business at 6th Floor, Mita Center, 552-566, Castle Peak Road, Kwai Chung, Kowloon, Hong Kong. Its ultimate controlling shareholder is Mr. Lo Yat Keung who are the chief executive of the Company. The Company is listed on both the Main Board of Singapore Exchange Securities Trading Limited ("SGX-ST") and on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK") since July 12, 2004 and December 21, 2011 respectively. The financial statements are expressed in United States dollars ("US\$").

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

The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

As at December 31, 2012, the Group's net current assets and total assets less current liabilities are amounted to US\$61,376,000 (2011 : US\$50,428,000) and US\$82,293,000 (2011 : US\$70,417,000) respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2012 were authorised for issue by the Board of Directors on March 20, 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

ADOPTION OF NEW AND REVISED STANDARDS - In the current financial year, the Group has adopted all the new and revised International Accounting Standards ("IAS") and IFRS issued by the International Accounting Standards Board and the Interpretations thereof issued by the International Financial Reporting Standards Interpretations Committee ("IFRS IC") that are relevant to its operations and effective for annual periods beginning on or after January 1, 2012. The adoption of these new/revised Standards and Interpretations does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below:

Amendments to IFRS 7 Disclosures - Transfers of Financial Assets

The Group has applied the amendments to IFRS 7 Disclosure - Transfers of Financial Assets in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

In the current year, the Group discounted certain bill receivables to bank for cash. If the bill receivables are not paid at maturity, the bank has the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these trade receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowings. The relevant disclosures have been made regarding the transfer of these trade receivables on application of the amendments to IFRS 7 (see Note 18).

Notes to Financial Statements

Year ended December 31, 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

- IFRS 9 *Financial Instruments*³
- IFRS 10 *Consolidated Financial Statements*¹
- IFRS 11 *Joint Arrangements*¹
- IFRS 12 *Disclosure of Interests in Other Entities*¹
- IFRS 13 *Fair Value Measurement*¹
- Amendments to IFRS 7 *Disclosure - Offsetting Financial Assets and Financial Liabilities*¹
- Amendments to IFRS 9 and IFRS 7 *Mandatory Effective Date of IFRS 9 and Transition Disclosures*³
- Amendments to IFRS 10, IFRS 11 and IFRS 12 *Consolidation Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*¹
- IAS 27 (as revised in 2011) *Separate Financial Statements*¹
- IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*¹
- Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*²

1 Effective for annual periods beginning on or after January 1, 2013.

2 Effective for annual periods beginning on or after January 1, 2014.

3 Effective for annual periods beginning on or after January 1, 2015.

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

IFRS 9 *Financial Instruments*

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

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 "*Financial instruments: Recognition and measurement*" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

Notes to Financial Statements

Year ended December 31, 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

In the opinion of the directors, based on the Group's financial instruments as at December 31, 2012, the application of IFRS 9 will affect the classification and measurement of the available-for-sale instruments but do not expect the application of IFRS 9 will have a material effect on the financial liabilities and other financial assets of the Group.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

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

Key requirements of these five standards are described below.

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

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

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

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

In June 2012, the amendments to IFRS 10, IFRS 11, and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

These five standards together with the amendments regarding the transition guidance are effective for annual period beginning on or after January 1, 2013, with earlier application permitted provided all of these standards are applied at the same time. Management anticipates that the application of these five standards may have significant impact on amounts reported in the consolidated financial statements. A detailed review will be performed by the management to quantify the impact on the application of IFRS 10.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope.

Notes to Financial Statements

Year ended December 31, 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The management anticipates that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after January 1, 2014, with retrospective application required.

The directors anticipate that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

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

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

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

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

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

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

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

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

Notes to Financial Statements

Year ended December 31, 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

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

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

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

Notes to Financial Statements

Year ended December 31, 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

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

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

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

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

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

Notes to Financial Statements

Year ended December 31, 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Effective interest method

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

Financial assets

The Group's financial assets are classified into investments carried at fair value through profit or loss (“FVTPL”), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

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

Loans and receivables

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

Notes to Financial Statements

Year ended December 31, 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are not classified as loans and receivables. Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition.

Cash and cash equivalents in the statement of cash flows

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

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been adversely impacted.

For an available-for-sale equity instrument, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period. With the exception of available-for-sale instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

Notes to Financial Statements

Year ended December 31, 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities

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

Financial guarantee contracts

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associate liability for amounts it may have to pay. If the Group retains substantially all the risk and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

OPERATING LEASES - Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant period, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Notes to Financial Statements

Year ended December 31, 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

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

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

INTERNALLY GENERATED INTANGIBLE ASSETS - RESEARCH AND DEVELOPMENT EXPENDITURE - Expenditure on research activities is recognised as an expense in the period in which it is incurred. Costs incurred on development projects are recognised as intangible assets if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

Notes to Financial Statements

Year ended December 31, 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately to profit or loss.

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

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

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

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

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

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

Notes to Financial Statements

Year ended December 31, 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

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

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

Interest income

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

BORROWING COSTS - Borrowing costs directly attributable to acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed in Hong Kong. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$20,000 (increases to HK\$25,000 effective 1 June 2012) for the MPF Scheme.

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

The assets of the schemes are held separately from those of the Group in funds under the control of independent trustees. The retirement scheme cost recognized in profit and loss represents contributions paid or payable to the schemes by the Group at rates specified in the rules of the schemes. At the end of each reporting period, the Group had no significant obligation apart from the contributions as stated above and there is no forfeited contribution arose upon employees leaving the retirement benefit schemes and which were available to reduce contributions payable.

Notes to Financial Statements

Year ended December 31, 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

Notes to Financial Statements

Year ended December 31, 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in United States dollars using exchange rates prevailing at the end of the reporting period.

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

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

Key sources of estimation uncertainty

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

Notes to Financial Statements

Year ended December 31, 2012

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Key sources of estimation uncertainty (cont'd)

(a) Allowances for trade and other receivables

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

In making the judgement, management considered the procedures that have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to trade receivables. In determining whether allowance for bad and doubtful debts is required, management takes into consideration the aging status and the likelihood of collection. Specific allowance is made for trade and other receivables that are unlikely to be collected. In this regard, management is satisfied that the allowance for doubtful debts made by the Group amounting to US\$2,129,000 (2011 : US\$1,764,000) is adequate. The carrying amount of trade and other receivables are disclosed in Note 7.

(b) Recoverable amounts of development costs

Management reconsidered the recoverability of internally-generated intangible asset arising from the Group's development costs incurred for the manufacture of analytical instruments and acquisition of subsidiaries. The carrying amount included in the Group's statement of financial position is US\$5,003,000 (2011 : US\$6,059,000) (Note 14). Impairment losses are made if recoverable amounts fall short of the carrying amounts. Recoverable amounts are estimated based on value in use. The estimated value in use is in turn based on cash flow forecasts consistent with the most up-to-date budgets and plans formally approved by the management and on reasonable and supportable assumptions, including the discount rates and useful lives. The estimation of the number of years that future economic benefits can be generated by the capitalised development costs takes into account the expected changes in market demand for the products and the expected actions of competitors and potential competitors. This situation will be closely monitored, and adjustments made in future periods, if future market activity indicates that such adjustments are appropriate.

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Information relating to the estimates used in assessing the carrying amounts of goodwill is set out on Note 13.

(d) Allowances for inventories

In determining the net realisable value of the Group's inventories, management estimated the recoverable amount of inventories based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration the fluctuations in price, the balance on hand relative to sales prospects and the condition of the inventories. In this regard, management is satisfied that no allowance for inventories is required as at December 31, 2012 and 2011. The carrying amount of inventories is disclosed in Note 8.

Notes to Financial Statements

Year ended December 31, 2012

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

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

	Group		Company	
	2012	2011	2012	2011
	US\$'000	US\$'000	US\$'000	US\$'000
Financial assets				
Fair value through profit or loss ("FVTPL")	–	557	–	–
Loans and receivables (including cash and cash equivalents)	85,972	74,621	10,891	15,325
Available-for-sale financial assets	534	534	–	–
Financial liabilities				
Liabilities at amortised cost	71,816	55,031	76	1,287

(b) Financial risk management policies and objectives

The Group's major financial instruments include FVTPL and available-for-sale investments, trade and other receivables, amounts due from (to) non-controlling interest/an associate, trade and other payables, liabilities for trade bills discounted with recourse and bank borrowings. Details of these financial instruments are disclosed in the respective notes to the financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate risk management measures are implemented on a timely and effective manner.

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

(c) Market risk

(i) Foreign exchange risk

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

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

Notes to Financial Statements

Year ended December 31, 2012

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

(c) Market risk (cont'd)

(i) Foreign exchange risk (cont'd)

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

	Group			
	Assets		Liabilities	
	2012	2011	2012	2011
	US\$'000	US\$'000	US\$'000	US\$'000
Japanese Yen	1,405	2,780	15,343	23,649
United States dollars	56,096	53,465	9,780	9,447

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates.

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

	Note	2012	2011
		US\$'000	US\$'000
Japanese yen impact	(i)	697	1,043
United States dollars impact	(ii)	(2,316)	(2,201)

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

	Note	2012	2011
		US\$'000	US\$'000
Japanese Yen impact	(i)	(697)	(1,043)
United States dollars impact	(ii)	2,316	2,201

Notes:

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

Notes to Financial Statements

Year ended December 31, 2012

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

(c) Market risk (cont'd)

(ii) Interest rate risk management

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the amount outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

Group

If interest rates on variable-rate bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended December 31, 2012 would decrease/increase by US\$197,000 (2011 : decrease/increase by US\$129,000).

Company

If interest rates on variable-rate advances to subsidiaries had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended December 31, 2012 would increase/decrease by US\$45,000 (2011 : increase/decrease by US\$64,000).

(d) Credit risk

At December 31, 2012 and 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group if counterparties fail to discharge their obligations to the Group is the carrying amount of the respective recognised financial assets, grossed up for any allowances for impairment losses as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management monitors follow-up actions to recover overdue debts. Management of the Group reviews the recoverable amount of each individual trade receivable regularly at the end of each reporting period to ensure that adequate allowances for impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is adequately managed and mitigated.

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

Other than concentration of credit risk on the Group's trade and other receivables located in the PRC, trade receivables consist of a large number of customers spread across diverse industries. The management has considered the strong financial background and good credit standing of these customers, mainly universities, research institutions and government agencies and is of the view that there is no significant credit risk on these receivables in the PRC.

Notes to Financial Statements

Year ended December 31, 2012

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

(d) Credit risk (cont'd)

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

- The carrying amount of the respective recognised financial assets as stated in the statement of financial position; and
- The amount of contingent liabilities in relation to financial guarantee issued by the Company as disclosed in Note 34.

(e) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

Liquidity and interest risk analyses

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

	← Undiscounted cash flows →					Carrying amount
	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	
	%	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group						
2012						
Trade and other payables						
- Non-interest bearing	-	19,693	-	-	-	19,693
Liabilities for trade bills discounted with recourse						
- Non-interest bearing	-	5,015	-	-	-	5,015
Bank borrowings						
- Variable interest rates	3.96	30,973	13,786	3,393	(1,044)	47,108
		55,681	13,786	3,393	(1,044)	71,816

Notes to Financial Statements

Year ended December 31, 2012

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

(e) Liquidity risk (cont'd)

	← Undiscounted cash flows →					Carrying amount US\$'000
	Weighted average effective interest rate %	On demand or within 1 year US\$'000	Within 2 to 5 years US\$'000	After 5 years US\$'000	Adjustment US\$'000	
Group						
2011						
Trade and other payables						
- Non-interest bearing	-	21,575	-	-	-	21,575
Liabilities for trade bills discounted with recourse						
- Non-interest bearing	-	1,266	-	-	-	1,266
Amounts due to non-controlling interests						
- Non-interest bearing	-	1,244	-	-	-	1,244
Bank borrowings						
- Variable interest rates	2.70	27,770	1,109	3,557	(1,490)	30,946
		51,855	1,109	3,557	(1,490)	55,031

Bank loans with a repayment on demand clause are included in the "on demand or within 1 year" time band in the above maturity analysis. As at December 31, 2012, aggregate undiscounted principal amounts of these bank loans amounted to US\$2,958,000 (2011 : US\$3,588,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid within one to five years after the reporting date in accordance with the schedule repayment date set out in the loan agreements. At that time, the aggregated principal and interest cash outflows will amount to US\$3,023,000 (2011 : US\$3,772,000).

Company

The Company has financial liability of US\$76,000 (2011 : US\$1,287,000) which is repayable on demand and interest free.

The Company provided corporate guarantees of US\$99,328,000 (2011 : US\$71,099,000) to certain banks as security for banking facilities granted to subsidiaries as at the end of the reporting period. The earliest period that the guarantees could be called is within 1 year (2011 : 1 year) from the end of the reporting period. Based on the expectation of the Company, the Company considers that it is more likely that no amount will be payable under this financial guarantee arrangement. However, this estimate is subject to change depending on the probability of the counterparty which suffers credit losses on the financial receivables and claims under the guarantee.

Notes to Financial Statements

Year ended December 31, 2012

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

(f) Fair values of financial assets and financial liabilities

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

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

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

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

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Financial instruments measured at fair value

	Total	Level 1	Level 2	Level 3
	US\$'000	US\$'000	US\$'000	US\$'000
<u>Group</u>				
2011				
Financial assets				
FVTPL	557	–	557	–

In 2012, the Group had no financial assets and liabilities carried at fair value.

In 2011, there was no financial liabilities carried at fair value.

Company

The Company had no financial assets or liabilities carried at fair value in 2012 and 2011.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy in 2012 and 2011.

Notes to Financial Statements

Year ended December 31, 2012

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

(g) Capital risk management policies and objectives

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

The capital structure of the Group consists of debts comprising bank borrowings which are subjected to certain loan covenants and conditions as disclosed in Note 17, and equity attributable to owners of the Company, comprising issued share capital, retained earnings and other reserves as disclosed in the notes to financial statements.

Management reviews the capital structure on an on-going basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital, payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group is in compliance with the covenants from the relevant banks for 2012 and 2011.

5 RELATED PARTY TRANSACTIONS

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

Compensation of directors and key management personnel

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

	Group	
	2012	2011
	US\$'000	US\$'000
Short-term benefits	1,847	1,674
Post-employment benefits	134	123
Share-based payments	225	391
	2,206	2,188

6 CASH AND BANK BALANCES

	Group	
	2012	2011
	US\$'000	US\$'000
Cash at bank	16,908	8,320
Cash on hand	107	195
	17,015	8,515

The carrying amounts of these assets approximate their fair values.

Cash and bank balances carry effective interest at an average rate of 0.32% (2011 : 0.55%) per annum.

Notes to Financial Statements

Year ended December 31, 2012

6 CASH AND BANK BALANCES (CONT'D)

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

	Group	
	2012	2011
	US\$'000	US\$'000
Singapore dollars	–	5
United States dollars	1,772	2,971
Japanese yen	71	685
Macao pataca	1	7
Euro	347	163
British pound	–	1
Swiss franc	24	51

7 TRADE AND OTHER RECEIVABLES

	Group	
	2012	2011
	US\$'000	US\$'000
Trade receivables and bills receivables (Note a)	59,487	62,074
Less: Allowance for doubtful debts	(2,129)	(1,764)
	57,358	60,310
Trade bills receivable discounted with recourse (Note 18)	5,015	1,266
Prepayments (Note b)	2,482	1,447
Other receivables (Note c)	3,813	2,895
	68,668	65,918

Notes:

- a) The average credit period on sale of goods ranges from 30 to 90 days (2011 : 30 to 90 days). No interest is charged on outstanding trade receivables during the year. In addition, the average credit period on the retention money ranges from 30 to 90 days after the goods are accepted by the customers which is normally within twelve months after delivery.
- b) Prepayment mainly comprise advances to staff for business trips and other prepaid expenses.
- c) Deposits and other receivables mainly represent the other tax receivables and deposits paid to the suppliers.

Notes to Financial Statements

Year ended December 31, 2012

7 TRADE AND OTHER RECEIVABLES (CONT'D)

The aging of trade receivables and bill receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition date and the aging of retention money presented based on the acceptance date of customers is as follows:

	Group	
	2012	2011
	US\$'000	US\$'000
Less than 90 days	37,032	45,986
91 to 120 days	4,035	1,713
121 to 365 days	10,904	7,652
1 to 2 years	4,349	4,161
Over 2 years	1,038	798
	57,358	60,310

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

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of US\$3,536,000 (2011 : US\$3,731,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The aging of bills receivable discounted with recourse, based on the invoice date, is less than 90 days (2011 : less than 90 days).

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

	Group	
	2012	2011
	US\$'000	US\$'000
91 to 120 days	358	515
121 to 365 days	1,289	988
1 to 2 years	1,276	1,874
Over 2 years	613	354
	3,536	3,731

Movement in the allowance for doubtful debts:

Balance at beginning of the year	1,764	1,557
Written off against trade receivables	(47)	(87)
Increase in allowance recognised in profit or loss for the year (Note 28)	412	294
Balance at end of the year	2,129	1,764

Notes to Financial Statements

Year ended December 31, 2012

7 TRADE AND OTHER RECEIVABLES (CONT'D)

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

	Group	
	2012	2011
	US\$'000	US\$'000
United States dollars	54,324	49,937
Japanese yen	1,334	2,095
Euro	1,266	1,061
Swiss franc	684	656

8 INVENTORIES

	Group	
	2012	2011
	US\$'000	US\$'000
Raw materials	7,159	6,944
Work-in-progress	5,421	6,722
Finished goods	19,545	18,334
	32,125	32,000

9 INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2012	2011
	US\$'000	US\$'000
Unquoted investment in an equity fund, at fair value	–	557

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

During the year ended December 31, 2012, the Group disposes the investment at a cash consideration of US\$570,000 (equivalent to HK\$4,444,000).

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

	Group	
	2012	2011
	US\$'000	US\$'000
United States dollars	–	557

Notes to Financial Statements

Year ended December 31, 2012

10 ASSOCIATE

(A) Interest in an associate

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

	Group	
	2012	2011
	US\$'000	US\$'000
Cost of unquoted equity investment	779	779
Share of post-acquisition results	(592)	(429)
Share of exchange translation reserves	36	34
	223	384

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

	Group	
	2012	2011
	US\$'000	US\$'000
Total assets	3,471	2,109
Total liabilities	(3,016)	(1,326)
Net assets	455	783
Group's share of associate's net assets	223	384
Revenue	4,735	5,293
Results for the year	(332)	(582)
Group's share of associate's results for the year	(163)	(285)
Group's share of associate's other comprehensive income for the year	2	15

Details of the Group's associate at December 31, 2012 and 2011 are as follows:

Name of associate	Country of incorporation and operation	Proportion of ownership interest held		Principal activity
		2012	2011	
		%	%	
Techcomp Jingke Trading (Shanghai) Co., Ltd ⁽¹⁾	PRC	49	49	Trading of analytical and laboratory instruments

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

Notes to Financial Statements

Year ended December 31, 2012

10 ASSOCIATE (CONT'D)

(B) Amount due from an associate

At December 31, 2012 and 2011, the amount due from an associate was trade in nature, unsecured, interest-free and repayable within 90 days.

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

	Group	
	2012	2011
	US\$'000	US\$'000
Sales of goods	4,358	3,663
Purchase of goods	4	76

11 PROPERTIES, PLANT AND EQUIPMENT

	Leasehold buildings	Furniture and fixtures	Machinery and equipment	Motor vehicles	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group					
Cost:					
At January 1, 2011	10,955	2,430	3,384	812	17,581
Additions	13	23	557	28	621
Disposals	–	–	(19)	–	(19)
Currency translation difference	203	53	82	20	358
At December 31, 2011	11,171	2,506	4,004	860	18,541
Additions	11	202	203	87	503
Reclassification from inventory (note)	–	–	1,400	–	1,400
Acquisition of a subsidiary (Note 32)	33	9	320	–	362
Disposals	–	(1)	(65)	–	(66)
Currency translation difference	151	25	66	9	251
At December 31, 2012	11,366	2,741	5,928	956	20,991
Accumulated depreciation:					
At January 1, 2011	1,293	1,639	1,357	626	4,915
Depreciation	387	274	493	69	1,223
Eliminated on disposals	–	–	(17)	–	(17)
Currency translation difference	52	28	30	18	128
At December 31, 2011	1,732	1,941	1,863	713	6,249
Depreciation	396	176	851	33	1,456
Eliminated on disposals	–	–	(46)	–	(46)
Currency translation difference	26	23	47	6	102
At December 31, 2012	2,154	2,140	2,715	752	7,761
Carrying amount:					
At December 31, 2012	9,212	601	3,213	204	13,230
At December 31, 2011	9,439	565	2,141	147	12,292

Note: The amount represents the reclassification from inventory at cost which relates to the finished goods for demonstrative purpose.

The Group has pledged its leasehold buildings with an aggregate carrying amount of approximately US\$5,245,000 (2011 : US\$5,282,000) to a bank to secure the banking facilities granted to the Group (Note 17).

Notes to Financial Statements

Year ended December 31, 2012

12 SUBSIDIARIES

	Company	
	2012	2011
	US\$'000	US\$'000
Unquoted equity shares, at cost	7,273	6,135
Advances to subsidiaries	10,891	15,325
Deemed investment in subsidiaries arising from financial guarantees given to financial institutions who have granted credit facilities to the subsidiaries (Note 34(b))	5,468	3,394
	23,632	24,854

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

Details of the Company's subsidiaries at December 31, 2012 and 2011 are as follows:

Name of subsidiaries	Country of incorporation (or registration) and operation	Issued and fully paid share capital / registered capital	Proportion of ownership interest and voting power held		Principal activity
			2012 %	2011 %	
<u>Held by the Company</u>					
Richwell Hightech Systems Inc. ⁽¹⁾	British Virgin Islands	US\$81	100	68	Investment holding
Techcomp Scientific Limited ⁽¹⁾	British Virgin Islands	US\$50,000	100	100	Investment holding
Techcomp Instrument Limited ⁽¹⁾	British Virgin Islands	US\$50,000	100	100	Investment holding
Regent Lite Pte Ltd ⁽⁵⁾	Singapore	SGD1	100	100	Investment holding
Glory Union Investments Ltd ⁽⁶⁾	Hong Kong	HK\$10,000	100	100	Investment holding
Graceful Sky Investments Limited ⁽⁶⁾	Hong Kong	HK\$10,000	100	100	Investment holding
Sunny Time Investments Ltd ⁽⁶⁾	Hong Kong	HK\$10,000	100	100	Investment holding
Silver Grand Holdings Limited ⁽⁶⁾⁽⁹⁾	Hong Kong	HK\$10,000	100	-	Investment holding
<u>Held by Techcomp Scientific Limited</u>					
Bestwit Consultants Ltd ⁽¹⁾	British Virgin Islands	US\$1	100	100	Distributor and insurer of the Group's analytical and laboratory instruments
Bibby Scientific (Asia) Limited ⁽²⁾	Hong Kong	HK\$10,000	100	100	Trading of analytical and laboratory instruments
Dynamic (Asia) Limited ⁽²⁾	Hong Kong	HK\$10,000	100	100	Trading of analytical and laboratory instruments
Techcomp Limited ⁽²⁾	Hong Kong	HK\$10,000	100	100	Trading of analytical and laboratory instruments

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Year ended December 31, 2012

12 SUBSIDIARIES (CONT'D)

Name of subsidiaries	Country of incorporation (or registration) and operation	Issued and fully paid share capital / registered capital	Proportion of ownership interest and voting power held		Principal activity
			2012 %	2011 %	
<u>Held by Techcomp Scientific Limited</u>					
Techcomp (China) Limited ⁽³⁾⁽¹¹⁾	PRC	US\$ 10,000,000	100	100	Trading of analytical and laboratory instruments
Techcomp (Guangzhou) Ltd. ⁽⁴⁾⁽¹²⁾	PRC	US\$ 200,000	100	100	International entreport and exhibitions (within Free Trade Zone)
Techcomp (Macao Commercial Offshore) Limited ⁽⁶⁾	Macau	MOP 10,000,000	100	100	Trading of analytical and laboratory instruments
Techcomp (Shanghai) Ltd. ⁽³⁾⁽¹¹⁾	PRC	US\$ 200,000	100	100	International and entreport trade and commercial consulting service (within Free Trade Zone)
Techcomp (Singapore) Pte Ltd ⁽⁵⁾	Singapore	SGD100,000	100	100	Trading of analytical and laboratory instruments
Techcomp (Tianjin) Ltd ⁽³⁾⁽¹¹⁾	PRC	US\$ 1,300,000	100	100	International trade, consultancy and sales of clinical analytical instruments and basic medical testing equipment
Tiande (Tianjin) Ltd ⁽³⁾⁽¹²⁾	PRC	US\$ 200,000	100	100	Trading of analytical and laboratory instruments
Well All Consultants Ltd ⁽¹⁾	British Virgin Islands/PRC	US\$1	100	100	Provision of installation and maintenance services
Techcomp India Pvt Ltd ⁽⁶⁾	India	RUPEES 500,000	100	100	Trading of analytical and laboratory instruments
Aura Scientific Ltd ⁽⁸⁾	United Kingdom	GBP1	100	100	Trading of analytical and laboratory instruments
<u>Held by Techcomp Instrument Limited</u>					
Dynamica GmbH ⁽⁷⁾	Austria	EURO 200,000	100	100	Trading of analytical and laboratory instruments
Shanghai Techcomp Bio-equipment Limited ⁽³⁾⁽¹¹⁾	PRC	US\$ 2,000,000	100	100	Manufacturing of analytical and laboratory instruments
Shanghai Techcomp Instrument Ltd. ⁽³⁾⁽¹¹⁾	PRC	US\$ 3,350,000	100	100	Manufacturing of analytical and laboratory instruments
Cheetah Scientific Limited ⁽⁶⁾	Hong Kong	HK\$10,000	100	100	Inactive
<u>Held by Richwell Hightech Systems Inc.</u>					
Shanghai Sanco Instrument Co. Ltd ⁽³⁾⁽¹³⁾	PRC	US\$ 350,000	81	55	Manufacturing and trading of analytical and laboratory instruments

Notes to Financial Statements

Year ended December 31, 2012

12 SUBSIDIARIES (CONT'D)

Name of subsidiaries	Country of incorporation (or registration) and operation	Issued and fully paid share capital / registered capital	Proportion of ownership interest and voting power held		Principal activity
			2012 %	2011 %	
<u>Held by Regent Lite Pte Ltd</u>					
HCC SAS ⁽⁷⁾	France	EURO2,300,000	100	100	Investment holding
<u>Held by HCC SAS</u>					
Frilabor SRL ⁽⁷⁾	Romania	RON37,500	100	100	Manufacturing and trading of analytical and laboratory instruments
Froilabo SAS ⁽⁷⁾	France	EURO1,000,000	100	100	Manufacturing and trading of analytical and laboratory instruments
<u>Held by Froilabo SAS</u>					
Craponne Tolerie SARL ⁽⁷⁾	France	EURO75,000	100	100	Manufacturing of industrial metallurgy
<u>Held by Glory Union Investments Ltd</u>					
Techcomp Jingke Scientific Instruments (Shanghai) Co. Ltd ⁽³⁾⁽¹³⁾	PRC	RMB40,000,000	51	51	Manufacturing of analytical and laboratory instruments
<u>Held by Graceful Sky Investments Limited</u>					
Precisa Gravimetrics AG ⁽⁷⁾	Switzerland	CHF5,000,000	100	80	Manufacturing of analytical and laboratory instruments
<u>Held by Sunny Time Investments Ltd</u>					
Precisa Real Estate AG ⁽⁷⁾	Switzerland	CHF500,000	100	100	Property holding
<u>Held by Silver Grand Holdings Limited</u>					
IXRF Systems Inc. ⁽⁷⁾⁽¹⁰⁾	United States of America	US\$631,000	56	–	Manufacturing of analytical and laboratory instruments

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

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

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

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

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

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

(7) Audited by other auditors.

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

(9) Incorporated during the year.

(10) Acquired in 2012 (Note 32).

Notes to Financial Statements

Year ended December 31, 2012

12 SUBSIDIARIES (CONT'D)

(11) Wholly Foreign Owned Enterprise (WFOE) registered under PRC law.

(12) Limited liability company.

(13) Sino-foreign equity joint venture.

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

13 GOODWILL

	Group US\$'000
Cost/Carrying amount:	
At January 1, 2011 and December 31, 2011	512
Addition (Note 32)	1,327
At December 31, 2012	1,839

Goodwill acquired in a business combination is allocated, at acquisition, to a cash generating unit ("CGU") that is expected to benefit from that business combination. The carrying amount of goodwill is allocated to the subsidiary group, Richwell Hightech Systems Inc and goodwill of US\$1,327,000 is allocated to the subsidiary, IXRF Systems Inc.

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

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

For impairment purpose, the Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next financial year and extrapolates cash flows for the following five years as follows:

	Richwell Hightech System Inc		IXRF Systems Inc	
	2012	2011	2012	2011
Discount rate (<i>per annum</i>)	10%	10%	10%	N/A
Growth rate (<i>per annum</i>)	10%	10%	3.5%	N/A

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

Notes to Financial Statements

Year ended December 31, 2012

14 INTANGIBLE ASSETS

	Development costs	Group Technical know-how	Total
	US\$'000	US\$'000	US\$'000
Cost:			
At January 1, 2011	8,838	74	8,912
Additions	1,515	–	1,515
Currency translation difference	108	–	108
At December 31, 2011	10,461	74	10,535
Additions	1,335	–	1,335
Written off	(711)	–	(711)
Currency translation difference	111	–	111
At December 31, 2012	11,196	74	11,270
Amortisation:			
At January 1, 2011	2,795	74	2,869
Amortisation for the year	1,526	–	1,526
Currency translation difference	81	–	81
At December 31, 2011	4,402	74	4,476
Amortisation for the year	1,866	–	1,866
Written off	(113)	–	(113)
Currency translation difference	38	–	38
At December 31, 2012	6,193	74	6,267
Carrying amount:			
At December 31, 2012	5,003	–	5,003
At December 31, 2011	6,059	–	6,059

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

Amortisation of US\$1,866,000 (2011 : US\$1,526,000) has been included in administrative expenses in the consolidated statement of comprehensive income.

15 AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2012	2011
	US\$'000	US\$'000
<u>At cost</u>		
Unquoted equity shares	40	40
Golf club membership	494	494
	534	534

Notes to Financial Statements

Year ended December 31, 2012

15 AVAILABLE-FOR-SALE INVESTMENTS (CONT'D)

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

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

16 DEFERRED TAX ASSETS (LIABILITIES)

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

	Group			
	Deferred development costs	Timing differences in tax depreciation	Tax losses	Total
	US\$'000	US\$'000	US\$'000	US\$'000
At January 1, 2011	(392)	73	–	(319)
(Charge) Credit to profit or loss for the year (Note 27)	(51)	19	199	167
Currency translation difference	(14)	5	9	–
At December 31, 2011	(457)	97	208	(152)
Acquisition of a subsidiary (Note 32)	–	(17)	65	48
Credit (Charge) to profit or loss for the year (Note 27)	128	(34)	(136)	(42)
Currency translation difference	(1)	–	1	–
At December 31, 2012	(330)	46	138	(146)

The following is the analysis of the deferred tax balances:

	Group	
	2012	2011
	US\$'000	US\$'000
Deferred tax assets	88	208
Deferred tax liabilities	(234)	(360)
	(146)	(152)

Under the Enterprise Income Tax of the PRC, starting from January 1, 2008, all profits earned are subject to withholding tax upon the distribution of such profits to the shareholders. Deferred taxation has not been recognised in respect of the temporary differences attributable to the undistributable retained profits earned by the subsidiaries in Mainland China amounting to US\$3,538,000 (2011 : US\$3,913,000) as management is of the opinion that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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Year ended December 31, 2012

17 BANK BORROWINGS AND OVERDRAFTS

	Group	
	2012	2011
	US\$'000	US\$'000
Trust receipt loans	17,980	19,506
Other bank loans	24,046	5,797
Mortgage loan	3,997	4,426
Bank overdrafts	1,085	1,217
	<u>47,108</u>	<u>30,946</u>
Secured (Mortgage loan)	3,997	4,426
Unsecured	43,111	26,520
	<u>47,108</u>	<u>30,946</u>
Carrying value repayable*:		
On demand or within one year	27,354	23,287
Between one to two years	6,612	219
Between two to five years	6,916	511
Over five years	3,268	3,341
	<u>44,150</u>	<u>27,358</u>
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	2,958	3,588
	<u>47,108</u>	<u>30,946</u>
Less: Amount due within one year shown under current liabilities	(30,312)	(26,875)
	<u>16,796</u>	<u>4,071</u>

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

Carrying amount of bank loans that are not repayable within one year from the end of reporting period but contain a repayment on demand clause (shown under current liabilities) are repayable:

	2012	2011
	US\$'000	US\$'000
Within one to two years	2,400	2,100
Within two to five years	558	1,488
	<u>2,958</u>	<u>3,588</u>

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

	2012	2011
	US\$'000	US\$'000
Japanese yen	7,967	13,525
United States dollars	7,076	6,039
Euro	126	20

Notes to Financial Statements

Year ended December 31, 2012

17 BANK BORROWINGS AND OVERDRAFTS (CONT'D)

The Group's variable-rate borrowings carry interest at various margins above the HIBOR, the Hong Kong prime lending rates of the banks, Euro-LIBOR or the Swiss Franc-LIBOR. These interest rates are repriced every twelve months (2011 : twelve months). The average effective interest rates paid per annum were as follows:

	Group	
	2012	2011
	%	%
Trust receipt loans	4.2	4.0
Other bank loans	4.1	2.1
Mortgage loan	1.7	2.6
Bank overdrafts	5.6	5.7

The Group has pledged its leasehold buildings with carrying value of US\$5,245,000 (2011 : US\$5,282,000) (Note 11) to a bank to secure the mortgage loan granted to the Group.

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

Bank overdrafts are unsecured and repayable on demand.

18 LIABILITIES FOR TRADE BILLS DISCOUNTED WITH RECOURSE

The following were the Group's financial assets as at December 31, 2012 and 2011 that were transferred to banks by discounting those receivables on full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables. These financial assets are carried at amortised cost in the Group's consolidated financial statements and associate liabilities have been recognised and included in liabilities for trade bills discounted with recourse.

	Bill receivables discounted to banks with full recourse	
	2012	2011
	US\$'000	US\$'000
Carrying amount of transferred assets	5,015	1,266
Carrying amount of associated liabilities	5,015	1,266
Net position	–	–

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

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

	Group	
	2012	2011
	US\$'000	US\$'000
United States dollars	2,697	1,266

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Year ended December 31, 2012

19 TRADE AND OTHER PAYABLES

	Group		Company	
	2012	2011	2012	2011
	US\$'000	US\$'000	US\$'000	US\$'000
Trade payables	15,651	18,575	–	–
Accruals	2,320	1,981	–	–
Customer deposits	2,426	3,298	–	–
Other payables	2,615	3,525	76	1,287
	23,012	27,379	76	1,287

The average credit period on purchases of goods ranges from 30 to 75 days (2011 : 30 to 75 days). No interest is charged on outstanding trade payables during the year. The aging of trade payables presented based on the invoice date at the end of reporting period, is as follows:

	Group	
	2012	2011
	US\$'000	US\$'000
Less than 60 days	11,149	14,297
61 to 180 days	2,870	3,073
181 to 365 days	1,161	1,037
Over 365 days	471	168
	15,651	18,575

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

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

	Group	
	2012	2011
	US\$'000	US\$'000
Japanese yen	7,376	10,124
United States dollars	2,704	2,142
Euro	280	257
British pound	50	103
Swiss franc	143	–

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

20 AMOUNT DUE TO NON-CONTROLLING INTERESTS

The amount was settled fully in 2012.

The amount due to non-controlling interests was non-trade, unsecured, interest-free and repayable on demand.

Notes to Financial Statements

Year ended December 31, 2012

21 SHARE-BASED PAYMENT

Equity-settled share option scheme

The Company has two share option schemes, as follows:

Share Option Scheme I

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

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

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

The number of outstanding share options under the 2004 Share Option Scheme as at December 31, 2012 is 21,835,000 (December 31, 2011 : 21,835,000). No further option was granted under the 2004 Share Option Scheme upon the listing of the Company on the SEHK on December 21, 2011.

Share Option Scheme II

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

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

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

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

Notes to Financial Statements

Year ended December 31, 2012

21 SHARE-BASED PAYMENT (CONT'D)

Where the options are granted to controlling shareholders and their associates,

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

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

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

Particulars on share-based payment arrangements are as follows:

2004 Share Option Scheme

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

(1) Senior management

(2) General management

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21 SHARE-BASED PAYMENT (CONT'D)

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

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

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

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

The number of share options exercisable at the end of the year amounted to 9,847,500 (2011 : 5,043,000). The weighted average exercised price at the end of the year is S\$0.24 (2011 : S\$0.22).

The options outstanding at the end of the year have a weighted average remaining contractual life of approximately 7 years (2011 : 8 years).

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21 SHARE-BASED PAYMENT (CONT'D)

In 2012, no share options were granted. In 2011, options were granted on January 6, 2011. The estimated fair value of the options granted was US\$1,005,000.

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

	2011	
	Senior management	General management
Weighted average share price on date of grant (Singapore cents)	42	42
Weighted average exercise price (Singapore cents)	42	42
Expected volatility	49.00%	49.00%
Expected life (years)	10	10
Risk free rate	2.72%	2.72%
Expected dividend yield	1.9%	1.9%

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

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

The Group recognised total expenses of US\$434,000 (2011 : US\$751,000) related to equity-settled share-based payment during the year. One of the senior management resigned in 2011, there was transfer from share option reserve in relation to the lapse of the share options to retained earnings of US\$15,000.

22 SHARE CAPITAL

Group and Company

	2012	2011	2012	2011
	Number of ordinary shares of US\$0.05 each		US\$'000	US\$'000
Authorised	800,000,000	800,000,000	40,000	40,000
Issued and paid up:				
At beginning and end of the year	232,500,000	232,500,000	11,625	11,625

The Company has one class of ordinary shares which carry no right to fixed income. There were no changes in the Company's authorised, issued and fully paid share capital in both years.

On December 21, 2011, the Company's shares were successfully listed on the Main Board of the SEHK by introduction. As a result, the Company is listed on both the SGX-ST and SEHK.

Notes to Financial Statements

Year ended December 31, 2012

23 RESERVES

	Group and Company
	US\$'000
(a) Share premium:	
Balances at January 1, 2011, December 31, 2011 and December 31, 2012	8,099

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

	Group and Company
	US\$'000
(b) Contributed surplus:	
Balances at January 1, 2011, December 31, 2011 and December 31, 2012	394

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

24 REVENUE

	Group	
	2012	2011
	US\$'000	US\$'000
Sale of analytical instruments, life science equipment and laboratory instruments	157,670	154,102

Notes to Financial Statements

Year ended December 31, 2012

25 OTHER OPERATING INCOME (EXPENSES)

	Group	
	2012	2011
	US\$'000	US\$'000
<u>Other operating expenses</u>		
Net loss on disposal of properties, plant and equipment	7	1
Foreign exchange loss, net	–	537
Listing expenses ⁽¹⁾	–	2,809
Loss in fair value changes of investments carried at fair value through profit or loss	–	118
	7	3,465
<u>Other operating income</u>		
Foreign exchange gain, net	1,217	–
Interest income on bank deposits	15	26
Gain on disposal of investments carried at fair value through profit or loss	13	–
Sundry income	438	785
Maintenance service income	–	16
	1,683	827
<u>Other operating income (expenses), net</u>	1,676	(2,638)

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

26 FINANCE COSTS

	Group	
	2012	2011
	US\$'000	US\$'000
Interest on bank borrowings:		
- wholly repayable within five years	1,289	658
- not wholly repayable within five years	59	63
	1,348	721

Notes to Financial Statements

Year ended December 31, 2012

27 INCOME TAX EXPENSE

	Group	
	2012	2011
	US\$'000	US\$'000
Current tax		
- Hong Kong Profits Tax	–	28
- PRC Enterprise Income Tax	30	90
- Others*	288	306
	318	424
(Over) underprovision of current tax in prior years		
- Hong Kong Profits Tax	(2)	–
- PRC Enterprise Income Tax	1	22
- Others	–	33
	(1)	55
Deferred tax (Note 16)	42	(167)
Withholding tax paid for distributed profit of a PRC subsidiary	–	44
	359	356

* Includes jurisdictions in France, Switzerland and United States of America.

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

Hong Kong and Singapore income tax are calculated at 16.5% and 17% of the estimated assessable profit for the year respectively. No provision for taxation for Hong Kong Profits Tax has been made for the current year as the Group does not have any assessment profit arising from Hong Kong.

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

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

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

Notes to Financial Statements

Year ended December 31, 2012

27 INCOME TAX EXPENSE (CONT'D)

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

	Group	
	2012	2011
	US\$'000	US\$'000
Profit before income tax	2,878	8,634
Income tax credit at the statutory tax rates of relevant jurisdictions	816	224
Non-taxable items	–	8
Non-deductible items	(78)	(238)
Over (Under) provision in prior year	1	(55)
Utilisation of tax benefits previously not recognised	–	87
Deferred tax benefit not recognised	(1,059)	(325)
Withholding tax paid for distributed profit of a PRC subsidiary	–	(44)
Others	(39)	(13)
Total income tax expense	(359)	(356)

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

	Group	
	2012	2011
	US\$'000	US\$'000
Amount at beginning of the year	5,286	2,831
Amount in the current year	7,404	2,834
Amount utilised/expired in the current year	(1,770)	(379)
Amount at end of the year	10,920	5,286

At the end of the reporting period, the Group has unutilised tax losses of US\$10,920,000 (2011 : US\$5,286,000) available for offsetting against future periods. A deferred tax asset of US\$138,000 (2011 : US\$208,000) was recognised for unutilised tax losses of US\$492,000 (2011 : US\$798,000) for a subsidiary due to realisable future profit streams. No deferred tax asset has been recognised for the remaining unutilised tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of US\$2,331,000 (2011 : US\$2,232,000) which will expire over the period from 2013 to 2017 (2011 : 2012 to 2016) and US\$3,583,000 (2011 : US\$1,595,000) which will expire over the period from 2013 to 2020 (2011 : 2012 to 2019). Other losses can be carried forward indefinitely.

Notes to Financial Statements

Year ended December 31, 2012

28 PROFIT FOR THE YEAR

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

	Group	
	2012	2011
	US\$'000	US\$'000
Directors' remuneration	722	751
Employee benefits expense	14,272	13,705
Share based payments (excluding directors)	321	579
Cost of defined contribution plans included in employee benefits expense	2,423	2,081
	17,738	17,116
Costs of inventories recognised as expense	114,559	107,453
Amortisation of intangible assets ⁽¹⁾	1,866	1,526
Depreciation of properties, plant and equipment	1,456	1,223
Net foreign exchange (gain) loss	(1,217)	537
Net loss on disposal of properties, plant and equipment	7	1
Auditors' remuneration paid to:		
- Auditors of the Company	75	68
- Other auditors	361	291
Non-audit fees paid to:		
- Auditors of the Company	5	4
- Other auditors	33	36
Research costs recognised as an expense	1,022	441
Intangible assets written off	598	-
Allowance for doubtful debts	412	294
Listing expenses	-	2,809
Gain on disposal of investments carried at fair value through profit or loss	(13)	-
Loss in fair value changes of investments carried at fair value through profit or loss	-	118

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

Notes to Financial Statements

Year ended December 31, 2012

29 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments paid to the directors and chief executive of the Company for the year ended December 31, 2012 and 2011 are as follows:

	Group	
	2012 US\$'000	2011 US\$'000
Directors' emoluments		
- directors' fee	129	129
- basic salaries and allowances	385	359
- bonus	81	79
- share-based payments	113	172
- contributions to retirement benefits scheme	14	12
	722	751

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

	Lo Yat Keung US\$'000	Chan Wai Shing US\$'000	Xu Guoping US\$'000	Ho Yew Yuen US\$'000	Seah Kok Khong US\$'000	Teng Cheong Kwee US\$'000	Total US\$'000
<u>2012</u>							
Director fee	-	-	-	45	42	42	129
Basic salaries and allowances	167	110	110	-	-	-	387
Bonus (Note)	35	23	23	-	-	-	81
Share based payments	-	56	56	-	-	-	112
Contributions to retirement benefit scheme	1	12	-	-	-	-	13
	203	201	189	45	42	42	722

2011

Director fee	-	-	-	45	42	42	129
Basic salaries and allowances	157	101	101	-	-	-	359
Bonus (Note)	35	22	22	-	-	-	79
Share based payments	-	86	86	-	-	-	172
Contributions to retirement benefit scheme	2	10	-	-	-	-	12
	194	219	209	45	42	42	751

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

Notes to Financial Statements

Year ended December 31, 2012

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

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

The five highest paid individuals include three (2011 : three) directors of the Company for the year ended December 31, 2012, details of whose emoluments are disclosed above. The emoluments of two highest paid individuals during the year as follows:

	Group	
	2012	2011
	US\$'000	US\$'000
Employees		
- basic salaries and allowances	394	397
- bonus	49	19
- share-based payments	32	68
- contributions to retirement benefits scheme	65	76
	540	560

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

	2012	2011
	Number of individuals	
HK\$1,000,001 to HK\$1,500,000 (equivalent to US\$128,816 to US\$192,308)	-	1
HK\$1,500,001 to HK\$2,000,000 (equivalent to US\$192,308 to US\$256,410)	1	-
HK\$2,500,001 to HK\$3,000,000 (equivalent to US\$322,165 to US\$386,598)	1	1

During the year ended December 31, 2012 and 2011, no emoluments were paid by the Group to directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived any emoluments during both years.

30 DIVIDENDS

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

In 2012, the Company declared and paid a final dividend of HK\$0.062 (US\$0.0079) per ordinary share totalling US\$1,848,000 out of accumulated profits in respect of the financial year ended December 31, 2011.

In respect of the year ended December 31, 2012, no dividend is proposed by the directors of the Company.

Notes to Financial Statements

Year ended December 31, 2012

31 EARNINGS PER SHARE

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

	Group	
	2012	2011
	US\$'000	US\$'000
Profit for the year attributable to owners of the Company	3,194	8,399
	Number of Shares	
	'000	
Number of ordinary shares for the purpose of basic earnings per share	232,500	232,500

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

	Group	
	2012	2011
	US\$'000	US\$'000
Profit for the year attributable to owners of the Company	3,194	8,399
	Number of Shares	
	'000	
Number of ordinary shares for the purpose of basic earnings per share	232,500	232,500
Add: Effect of dilutive potential ordinary shares relating to outstanding share options issued by the Company	6,907	6,739
Weighted average number of ordinary shares for the purpose of diluted earnings per share	239,407	239,239

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

Notes to Financial Statements

Year ended December 31, 2012

32 ACQUISITION OF SUBSIDIARIES

On March 31, 2012, the Group entered into a sale and purchase agreement for the acquisition of 56% of the issued capital of IXRF Systems Inc. at a total purchase consideration of approximately US\$1,560,000.

Consideration transferred

	2012 US\$'000
Cash	1,560

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

Assets acquired and liabilities assumed at the date of acquisition

	2012 US\$'000
Property, plant and equipment	362
Deferred tax asset	48
Inventories	95
Trade and other receivables	202
Cash and bank balances	429
Trade and other payables	(506)
Tax payables	(64)
Bank borrowings	(150)
Net assets acquired and liabilities assumed	416

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

The non-controlling interest (44%) in IXRF Systems Inc. recognised at the acquisition date was measured at the share of the fair value of the identifiable net assets acquired and amounted to US\$183,000.

Goodwill arising on acquisition

	2012 US\$'000
Consideration transferred	1,560
Non-controlling interest	183
Net assets acquired and liabilities assumed	(416)
Goodwill arising on acquisition of subsidiary	1,327

Goodwill of US\$1,327,000 was recognised in the acquisition as the purchase consideration exceeds fair value of the net assets acquired and liabilities assumed.

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

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

Notes to Financial Statements

Year ended December 31, 2012

32 ACQUISITION OF SUBSIDIARIES (CONT'D)

Net cash outflow on acquisition

	2012 US\$'000
Cash consideration	1,560
Cash and bank balances acquired	(429)
Net cash outflow from acquisition of a subsidiary	1,131

Impact of acquisition on the results of the Group

In 2012, IXRF Systems Inc. contributed US\$3,677,000 to revenue and profit of US\$51,000 to the Group's profit before tax for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on January 1, 2012, total Group revenue for the year would have been US\$158,285,000 and the profit for the year would have been US\$2,182,000.

33 OPERATING LEASE ARRANGEMENTS

The Group as lessee

	Group	
	2012 US\$'000	2011 US\$'000
Minimum lease payments under operating leases recognised as an expense in the year	1,578	1,271

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

	Group	
	2012 US\$'000	2011 US\$'000
Within one year	1,681	1,084
In the second to fifth year inclusive	4,863	2,478
After five years	860	1,337
	7,404	4,899

Operating lease payments represent rentals payable by the Group for certain of its factories and office spaces. Leases are negotiated for and rentals are fixed for a term ranging from 1 to 8 years (2011 : 1 to 8 years).

Company

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

Notes to Financial Statements

Year ended December 31, 2012

34 CONTINGENT LIABILITIES

(a) Group

At December 31, 2012 and December 31, 2011, the Group has no contingent liabilities.

(b) Company

The Company provided corporate guarantees of US\$99,328,000 (2011 : US\$71,099,000) to certain banks as security for banking facilities granted to its subsidiaries as at year end. For the purpose of determining the deemed investment in subsidiaries relating to these corporate guarantees (Note 12) given without any fees charged by the Company to the subsidiaries, management has taken into account the fact that credit facilities covered by the corporate guarantees are substantially more than the amounts required by the Group and have therefore used an estimate of the maximum credit lines required by the Group as a basis for determining the deemed investment in subsidiaries arising from the corporate guarantees.

35 SEGMENT INFORMATION

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

Products and services from which reportable segments derive their revenues

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

Principal activities of each reportable operating segment are as follows:

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

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

Notes to Financial Statements

Year ended December 31, 2012

35 SEGMENT INFORMATION (CONT'D)

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

Segment revenues and results

	Distribution US\$'000	Manufacturing US\$'000	Total US\$'000
2012			
Revenue	110,873	46,797	157,670
Results			
Segment result	1,137	1,890	3,027
Unallocated results			(149)
Profit before income tax			2,878
Income tax expense			(359)
Profit for the year			2,519
2011			
Revenue	106,006	48,096	154,102
Results			
Segment result	6,737	5,107	11,844
Unallocated results ⁽¹⁾			(3,210)
Profit before income tax			8,634
Income tax expense			(356)
Profit for the year			8,278

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

Notes to Financial Statements

Year ended December 31, 2012

35 SEGMENT INFORMATION (CONT'D)

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

Segment assets, liabilities and other information

	Distribution US\$'000	Manufacturing US\$'000	Total US\$'000
2012			
ASSETS			
Segment assets	89,625	48,256	137,881
Unallocated assets			3,776
Consolidated assets			141,657
LIABILITIES			
Segment liabilities	61,071	14,065	75,136
Unallocated liabilities			1,258
Consolidated total liabilities			76,394
OTHER INFORMATION			
Capital expenditure	571	1,629	2,200
Depreciation and amortisation	129	3,193	3,322
Finance costs	1,316	32	1,348
Interest income	(5)	(10)	(15)
2011			
ASSETS			
Segment assets	80,242	45,054	125,296
Unallocated assets			2,633
Consolidated assets			127,929
LIABILITIES			
Segment liabilities	46,128	13,463	59,591
Unallocated liabilities			2,352
Consolidated total liabilities			61,943
OTHER INFORMATION			
Capital expenditure	60	2,076	2,136
Depreciation and amortisation	230	2,519	2,749
Finance costs	670	51	721
Interest income	(9)	(17)	(26)

Notes to Financial Statements

Year ended December 31, 2012

35 SEGMENT INFORMATION (CONT'D)

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

All assets are allocated to reportable segments other than investments carried at fair value through profit or loss (Note 9), interest in and amount due from an associate (Note 10), available-for-sale investments (Note 15), deferred tax assets (Note 16) and income tax recoverable. Goodwill has been allocated to reportable segment based on the subsidiary's operating division which is the manufacturing division of Richwell Hightech Systems Inc and IXRF Systems Inc. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

All liabilities are allocated to reportable segments other than income tax payable, deferred tax liabilities (Note 16) and amounts due to non-controlling interests (Note 20).

Revenue from major products

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

Geographical information

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

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

	Group	
	2012	2011
	US\$'000	US\$'000
PRC (including Hong Kong and Macau)	123,949	120,711
Indonesia	5,457	4,751
India	6,871	6,351
France	6,594	7,909
Switzerland	6,588	7,181
Others ⁽¹⁾	8,211	7,199
Total	157,670	154,102

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

Notes to Financial Statements

Year ended December 31, 2012

35 SEGMENT INFORMATION (CONT'D)

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

	Group	
	Non-current assets	
	2012	2011
	US\$'000	US\$'000
PRC (including Hong Kong and Macau)	10,017	9,420
France	1,392	1,786
Switzerland	6,625	7,092
USA	2,211	–
Others ⁽²⁾	50	949
Total	20,295	19,247

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

Information about major customers

There is no single external customer contributing over 10% of the total sales of the Group for 2012 and 2011.

36 EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, the Group entered into a sales and purchase agreement to acquire 100% of equity interests in a company incorporated in England and Wales (the "Target Company") at a cash consideration of GBP3,200,000 (equivalent to US\$4,960,000). Before the date of approval of the report, the acquisition is completed.

However, as at the date of issuance of these financial statements, the management is in process of finalising the relevant financial information of the transaction and have not yet completed the valuation of the Target Company to determine the fair value of assets acquired and liabilities assumed. Accordingly, the financial impact of the above transaction to the Group is not disclosed.

Financial Summary

	Year ended 31 December				
	2008	2009	2010	2011	2012
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
RESULTS					
Revenue	81,029	104,781	127,090	154,102	157,670
Profit before taxation	2,961	7,829	10,800	8,634	2,878
Income tax expense	47	(345)	(585)	(356)	(359)
Profit for the year	3,008	7,484	10,215	8,278	2,519
Non-controlling interest	71	(114)	289	121	675
Profit for the year attributable to owners of the Company	3,079	7,370	10,504	8,399	3,194
ASSETS AND LIABILITIES					
Total assets	72,563	81,818	107,408	127,929	141,657
Total liabilities	(34,283)	(35,931)	(49,877)	(61,943)	(76,394)
Total equity	38,280	45,887	57,531	65,986	65,263

Statistics of Shareholdings

March 8, 2013

Shareholdings Statistics as at 8 March 2013

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

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	29	4.38	13,520	0.01
1,000 - 10,000	296	44.71	1,347,472	0.58
10,001 - 1,000,000	328	49.55	19,161,758	8.24
1,000,001 and above	9	1.36	211,977,250	91.17
	662	100.00	232,500,000	100.00

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	HKSCC Nominees Limited	132,359,500	56.93
2	Lo Yat Keung	41,833,500	17.99
3	HSBC (Singapore) Nominees Pte Ltd	11,810,000	5.08
4	Xu Guo Ping	9,870,000	4.25
5	Yung Yat	7,500,000	3.23
6	DBS Vickers Securities (S) Pte Ltd	5,470,250	2.35
7	Morgan Stanley Asia (S) Securities Pte Ltd	2,025,000	0.87
8	DBS Nominees Pte Ltd	1,109,000	0.48
9	Wang Meng	750,000	0.32
10	Raffles Nominees (Pte) Ltd	705,000	0.30
11	Maybank Kim Eng Securities Pte Ltd	470,500	0.20
12	Seow Ho Peng	450,000	0.19
13	Chan Wai Shing	420,000	0.18
14	Jonathan Chadwick	350,000	0.15
15	OCBC Securities Private Ltd	326,500	0.14
16	Kok Wen Fatt	322,000	0.14
17	Beng Hui Holdings (S) Pte Ltd	300,000	0.13
18	Citibank Consumer Nominees Pte Ltd	300,000	0.13
19	Ho Yew Yuen	300,000	0.13
20	UOB Kay Hian Pte Ltd	260,000	0.11
		216,931,250	93.30

Shareholdings Held in Hands of Public

Based on information available to the Company as at 8 March 2013, 30.73% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Statistics of Shareholdings

March 8, 2013

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Direct Interest		Deemed Interest	
	No. of Shares	% of total issued shares	No. of Shares	% of total issued shares
Lo Yat Keung	104,956,500 ^[1]	45.14	7,500,000 ^[2]	3.23
Kabouter Fund I QP LLC	13,979,829	6.01	–	–
Kabouter Management, LLC	–	–	28,700,000 ^[3]	12.34

[1] Direct interest includes 58,125,000 shares and 4,998,000 shares held through HKSCC Nominees Limited and HSBC (Singapore) Nominees Pte Ltd respectively.

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

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

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